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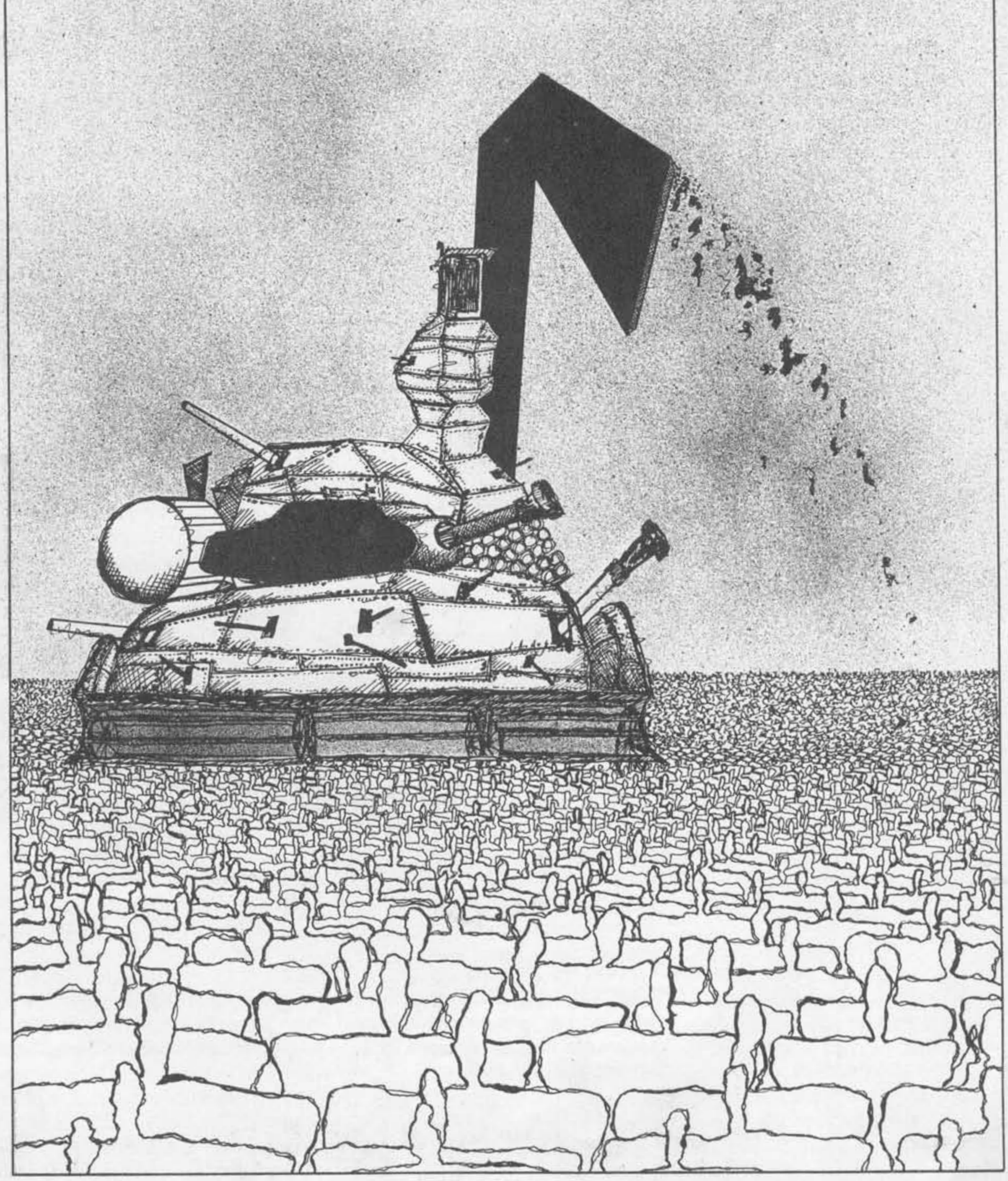
# LAND REFORM AND AGRIBUSINESS IN IRAN



Inside: THE UNITED NATIONS AND THE PALESTINIAN STRUGGLE

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# Middle East Research & Information Project

**In this issue :** Helmut Richards examines the implementation of the land reform provisions of the "White Revolution" in Iran, and how this has served to increase the Shah's control over Iranian society. An examination of developments in the agricultural sector represents one component of a more comprehensive view of contemporary Iran. We plan to publish additional articles on the political economy of Iran as they become available.

In *Current Events* for this issue we look at the recent resolution at the UN declaring Zionism to be a form of racism, which has generated more heat than light. We try to evaluate the significance of the resolution and deal with some of the issues it has raised. We would like to thank Eric Davis for his article examining the prospects for Egypt's "open door" policy. We also take a look at the latest developments in Oman.

Our *Book Review* discusses two books on colonialism in Morocco.

The articles by Joe Stork and Harry Magdoff which appeared in the last issue of MERIP *Reports* were based on papers presented to the annual meeting of the Arab-American University Graduates held in Chicago in October 1975.

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# Land Reform and Agribusiness in Iran

**by Helmut Richards**

## INTRODUCTION

**An American journalist visiting Iran** in 1965 asked the Shah why the country's students and intellectuals mistrusted him so intensely. His majesty reportedly grinned and said: "Why not? How many Shahs have deserved to be trusted? It may take generations before these people learn to have any confidence in the throne."[1] No doubt the Shah's own confidence must have been shaken a bit by the assassination of his Prime Minister, Ali Mansur, in January of that year, and even more in April when an attempt was made on his own life by a member of the Imperial Guard. Fourteen young men of middle class professional background were subsequently brought to trial for complicity in what has come to be known as the Marble Palace Plot. Since then, plots against the Shah's life by members of the university educated intelligentsia have become almost a regular occurrence in Iran. Real or imagined, the government is constantly uncovering them, the most recent being a conspiracy involving "well-bred people, including a friend of the Shah's own grandaughter."[2]

But it would be a mistake today, just as it was in 1965, to regard the Shah's air of self-assured paternalism as nothing more than a smokescreen for an insecure monarch. Despite the assassination attempt, the year 1965 represented something of a turning point in the reign of the Shah. His rule had weathered successfully, albeit with considerable violence and bloodshed, the previous four years of economic recession and political unrest. By 1965, he had managed to imprison, discourage, discredit, or co-opt the vast majority of the aboveground National Front opposition. While carrying out a limited land distribution program which undermined the independence of the landlord class, the Shah created a reservoir of support for himself in the countryside which he was able to use with great effect against his urban middle class opponents.

The year 1965 also witnessed a dramatic turnaround in the economy. With the signing of an agreement with the USSR for the construction of a steel mill near Isfahan (which US interests had been unwilling to construct or finance) the Shah's much-heralded plans for industrial development appeared on the verge of realization. This was followed in December by the announcement that Allied Chemical Corp. of the US had reached an agreement with the Iranian National Petrochemical Corp. on a $100 million petrochemical production unit at Bandur Shapur. Agreements were also concluded with Dutch, Swedish and German firms to convert Bushire into a modern port, and by 1965 work had already started on a $20 million US-backed project to develop Bandar Abbas, another Gulf port. Revised agreements with the Oil Consortium secured slightly increased revenues, and other agreements were concluded with various operating companies for offshore concessions in the Gulf. The 1967 Arab-Israeli war and the closure of the Syrian pipeline served to increase Iran's oil revenue, and new finds and expanded production in the Consortium's area of operations helped boost output that year by 20 percent.[3]

The rapid economic expansion after 1965 can also be attributed to the acceleration of investment in the private sector. Abetted by investment tax credits in the high income brackets and low-interest commercial credit – increasingly provided through a growing system of modern banks rather than through the high-interest bazaar usury of previous years – economic expansion was overseen for the first time by the recently established Central Bank. Like its American and European counterparts, this institution's control over the money supply was designed to inspire confidence in the security of deposits, prevent the overextension of credit and place a ceiling on interest rates. In Iran it was hoped that such controls would prevent a recurrence of the import spending spree which had precipitated the previous recession.

After the Central Bank, probably the most important factor in the economic upsurge was the activity of the Industrial and Mining Development Bank of Iran (IMDBI), which was characterized in 1968 as "proving a major factor in the flotation of foreign-partnered manufacturing and development concerns."[4] Formed under the leadership of Chase International Investment Corp. and the international banking house of Lazard Freres, the genesis and subsequent activity of IMDBI have clearly demonstrated the interest of the international financial elite in generating "successful" capitalist development in Iran. Despite the existence of two other government agencies concerned with industrial finance, during the late fifties the Shah and other highly placed Iranians became interested in multilateral institutions like those which had already been launched under World Bank auspices in Pakistan, Turkey and India. Discussions between Abol Hassan Ebtehaj, then head of the Plan Organization, and Andre Meyer of Lazard Freres led to the formation of a foreign banking syndicate under the leadership of Lazard and Chase International. Another Rockefeller investment vehicle, the International Basic Economy Corp. (IBEC), and the First Boston Corp. rounded out the US membership. IBEC had a real estate project underway in Teheran, and Lazard was providing backing for David Lilienthal's Development and Resources Corp. in Khuzistan. Lazard's French and British affiliates managed to subscribe capital for the bank from a wide circle of European financial institutions and industrial companies.[4a]

The resurgence of activity in the private sector after 1965 in no way entailed a dimunition of the Shah's control over the economy or the society at large. Through a welter of overlapping and competing agencies, the government can now exercise oversight in every corner of the society. The government's penetration of the production process, and particularly the labor force, is a case in point: workers' guilds and wages are the responsibility of the Ministry of Labor; workers' political organizations – the Ministry of Interior; worker propaganda – the Ministry of Information; worker welfare – the Ministry of Health.* Control is also exercised through

* Such bureaucratic overkill helps explain the prevalence of automated production facilities in a country with abundant low-cost labor. Automation has the effect of cutting red tape and reducing the possibilities for government intervention.

the Ministry of Water and Power for electricity, the Ministry of Economy for licences and other permits, the Ministry of Finance for taxation, the Ministry of Development for permits to expand production, and so on. A 1966 Plan Organization study of development in Gilan province revealed that there were thirteen government agencies competing on local development projects in that province. The Shah also has recourse to the fact that some member of the Pahlavi family has a direct and "legitimate" voice, through ownership, in the operation of nearly all commerce and industry in Iran. The largest and most influential contractors are either members of the royal family or closely related to it.

> Few industrial or commercial undertakings are launched in Iran without the blessing of the Shah. To secure these blessings, the Shah is often made a gift of a share in the ownership of the venture, just as Reza Shah was the recipient of estates from favor-seeking elites. In other instances, the Shah or other members of the royal family will invest their personal funds in indigenous commercial ventures.[5]

It would appear that the Shah's untoward longevity on the throne is attributable to the support of foreign governments (chiefly the US but also the USSR and China), well-supplied armed forces for internal control, pervasive secret police, a subservient political elite, rigid restriction of civil liberties and personal freedom, and tight economic controls. But these attributes have been enjoyed by other monarchs who have long since been dumped, in Trotsky's phrase, on the "Trash heap of history." For an explanation of the Shah's durability, there remain the more basic questions enmeshed in the peculiarities of Iranian history and social structure. Why is the political elite subservient? How has the Shah been able to resist the moves by dissident counter-elites to relegate him to the background or replace him with a bourgeois nationalist or military regime? And why have opposition groups so often been afflicted with factionalism and an inability to organize?

Traditionally, the ruling class of Iran has had six components: (1) the Shah; (2) the families of the ruling dynasty; (3) the tribal nobility; (4) native landlords; (5) system-supporting high 'ulema (clerics); and (6) the military elite. In the early twentieth century, the ruling class was augmented by the arrival of two new groups: (7) an economic (commercial, rentier and industrial) elite; and (8) foreign capitalists. Beginning with the concession agreements concluded between Iran and British interests in the late nineteenth century, foreign businessmen became "a firm and influential partner of the Iranian ruling class," particularly after the founding of the Anglo-Persian Oil Company in 1908. "In contemporary Iran, the foreign economic interests include not only the powerful oil interests but also contractors and even public relations firms that paint and protect the ruling class's and dynastic family's image abroad."[6]

Building on these existing patterns of political and social behavior, the Shah has managed to stay in power for over three decades by manipulating and reinforcing these patterns whenever possible and by abrogating or remolding them when absolutely necessary in order to undermine and co-opt his opponents. One specific area where this process can be examined is the development and implementation of the land reform provisions of the Shah's "White Revolution."

The successive stages of the land reform served to sever the big landlords from their rural power base, making them more dependent on their urban interests where cooperation with the government was essential to economic success. This transformation of the landlords from dominant to subservient class was encouraged by the government's program of exchanging their annual land reform payments for shares in state-owned factories and by extended tax holidays for those establishing new industries. The destruction of the landlord class, and its conversion to a state of sycophantic dependency on the throne, is consistent with the overall trend of the Shah's regime, characterized by one observer as "a quarter century in which the civil and military bureaucracies have continually expanded their control over the activities of the population at large, while the Shah has even more relentlessly expanded his power over the bureaucracies."[7]

## FEUDAL IRAN?

Although it is common to hear the rual conditions in Iran prior to land reform described as "feudal," this designation is misleading and on the whole inaccurate. Before land reform, there was no trace of feudal tenure in the historic legal sense of the term. Private land (*melk*) was held absolutely and the peasants enjoyed no legally sanctioned and heritable usufruct as they did on the medieval manor. The landlords were for the most part absentee owners living in the towns and cities. Land not held privately consisted of the Crown Lands (*amlack*); the public domain (*khaleseh*); and the private and religious trusts (*vaqf*). No landowner held anything approaching a feudal estate of inheritance which passed at death to the eldest son. Land in Iran devolved at death according to the Islamic code, which in general meant division of the land among kin. For this reason, many of the villages were divided in parts (*dang*) among members of a single or kindred family. Except for the genuine peasant proprietor here and there, villages were largely populated by rightless sharecroppers. Their social and tenurial status more closely resembled that of the bond tenants of the medieval manor than that of the feudal tenants, save for the fact that there were no legally recognized ties binding them to a particular landowner. Sometimes local custom gave the peasant cultivators a measure of security under a kind of tenancy; more often than not they tilled and occupied the land on sufferance, under the arbitrary will of the landlord. A certain share of the crops and livestock was due each year, and often additional cash payments and labor service were required of the tenants. "To refer to such rightless persons as feudal tenants," writes one authority on Iranian land law, "is to give them a social status far above their real plight."[8]

In certain other respects the designation "feudal" gives rise to a false impression of the actual state of social relations before and even *after* the reforms. Unlike medieval Europe, in periods of severe landlord harshness in Iran all peasants in a given village might simply go elsewhere for four or five years, leaving the village empty or with one or two families remaining. Re-establishing the village was simply a matter of the peasants' returning eventually to fill up the mud houses and plant the land again when the landlord sold the village to a new owner, or of new peasants being recruited when the landlord saw fit. This process of desertion and subsequent return or new recruitment was a fairly common occurrence in some provinces. On the landlord side, a village might change hands as many as five to seven times over a period of thirty years. Landlords leased to sublords, who in turn leased part of their claim. These arrangements changed year by year, or even season by season. One such arrangement was that the landlord or subclaimant might sell the crop to a bazaar merchant after it was planted but long before it was harvested,

yet neither of them would attempt any supervision of the peasants to assure higher production.

These intricate systems of sub-renting and foreselling further widened the gap between the villagers and their various overlords, increased the vagueness and confusion of dealings, and failed to provide any degree of stability or continuity of commitment. In fact no real "investment" was made beyond the minimum level required for upkeep of irrigation channels and other routine maintenance, and on occasion the landlords would fail to provide even this.

Thus it may be said that in contrast to the traditional feudal structure, the system of production in Iranian villages was relatively unstructured. The disorder of the countryside, changing whims of changing landlords, and the sporadic and unpredictable authority of government forces prevented the establishment of definite hierarchical relations of production rooted in the rural system. Both top and bottom of rural society lacked corporate form, and thus became easy prey for a parasitic urban-centered despotism loosely governed by the Shah through a tax-farming bureaucracy. Under the Iranian landlord, challenges to community action were often taken out of the hands of villagers. For example, a landlord would maintain the main irrigation canal by using paid labor brought from town rather than by employing village labor services. Each family usually related individually to the landlord or his agent for grain payments and other dues, as well as for favors. One result of the lack of communally rendered labor services (as on the feudal manor) was that the kinds of collaboration which lead directly to community consciousness were only occasionally experienced. This continues today, with the state stepping in to provide for bureaucratically defined village needs without the slightest participation of the villagers. The Iranian village, in this respect, has made little progress toward social development.

From such an atomized rural heritage flows the fact that social behavior in Iran is factional rather than corporate. Iranians tend to form short-term associations which have particular rather than general interests, are usually focused on the power of a single personality, and may shift their composition according to individual strategies. In a traditional village members of the same family group working land together form very tenuous partnerships called *sharik.* They are usually ruled by the father, the oldest brother, or the man with the most expertise. Dissent is expressed through backroom politicking rather than by open discussion, and the principle of the sovereignty of the impersonal majority is rarely, if ever, employed. In the provincial towns, family corporations with voting rights divided according to the number of shares owned are rare: either each brother tends to establish his separate business, or various brothers in effect are subordinate to one in the operations. In the event of a disagreement, a minority shareholder may prevent any corporate action at all, as the concept of an impersonal *corporate* majority is inoperative in most purely Iranian firms.

Corporate action of a family based on a fraternal division of labor and cooperation, and unilineal continuity from father's achievement to son's for several generations (such as the Rockefeller brothers, J.P.Morgan and Sons) are unknown. The goal of the family in Iran is to spread a broad base of family operations, an extensive and horizontal strategy, unlike the European model of extending a deep vertical root. Rural "lineage" in Iran is characterized by a horizontal faction of possible members to be mobilized for various purposes – locating countless "kin" in a multiplicity of places and enterprises is advantageous. While hundreds of relatives are claimed in the living generation, all the way from the village proper to Teheran and Kuwait, and even to New York, it is rare for even a great grandfather's name or homestead to be remembered. The wider society fosters short-term and factional associations – lateral, single generation ones – rather than corporate structures of depth through time.[9]

Shah bestowing land deeds

## VILLAGE STRATIFICATION

The barriers to effective collective action and self-determination among the Iranian peasantry are further accentuated by the class divisions within each village, shown in Chart I.

### CHART I: STRATA OF ADULT MALE AGRICULTURALISTS WIDELY FOUND IN IRANIAN VILLAGES

Almost every village has several of these strata with some peasants in more than one of them. In generally declining order of wealth and prestige:

I. NON-CULTIVATORS
1. Absentee landlord, including state, crown and *vaqf* trustees.
2. Large-scale renter from above, often absentee.
3. Village officials: headman, landlord's agent, water official, field watcher, etc.
4. Non-cultivating small owner.
5. Non-cultivating small renters from strata 1 or 2 (one village or less).
6. Non-cultivating leaser of productive instruments, usually cattle, sometimes water.
7. Non-cultivating head of work team, providing at least one instrument of production.

II. CULTIVATORS
8. Cultivating small owners.
9. Cultivator paying a fixed cash rental.
10. Cultivating head of a work team.
11. Sharecropper with some productive instruments, usually oxen, not head of a work team.
12. Sharecropper with only his labor to sell, but with a regular position on a work team or on land.
13. Laborer with a regular wage, in cash or kind.
14. Casual laborer, without a place on a work team or land, often hired by the day only at peak seasons.

Source: Keddie, "The Iranian Village Before and After Land Reform," JOURNAL OF CONTEMPORARY HISTORY (July 1969) p.75.

Extreme regional variations make a fully comprehensive chart impossible, but even this simplified one should give an idea of the "complexity and importance of stratification in the village." Only parts of strata 1 and 2 were actually eliminated under the various stages of land reform, which served to reinforce strata 4, 6, 7, 8, 9, 10 and some members of 11. Priority in receiving land was given throughout to those who owned some instruments of production or who had customary use rights to the land and paid the landlord an annual rent in cash or kind. "In practice, this meant that non-cultivating classes 5,6, and 7 got land, while cultivating classes 12, 13 and 14, who probably account for 40-50% of the villagers, did not." [10]

Not included in the above chart are those rural strata not directly engaged in agriculture – moneylenders, peddlers, shopkeepers, artisans, mullahs, etc – who nevertheless form an important part of the rural stratification picture. The majority of peasants are in debt, and surveys conducted in the mid-sixties demonstrated "that by far the greatest part is owed to sources other than the government or landlords."

> Interest rates of 50 percent and more help to make the shopkeepers, townsmen, peddlers, and others who indulge in rural moneylending one of the most powerful rural classes.[11]

According to the Iranian scholar Hossein Mahdavy, who helped to survey the effects of the first stage of the reform, "The peasants have their own bourgeoisie."

> These richer men of the village usually control the better lands, operate the village mills, own the village shops and act as general moneylenders and traders and can afford to acquire more land and livestock and even aspire to become some sort of government appointed or landlord appointed functionary in the village.[12]

It was towards the enlargement and consolidation of this "peasant bourgeoisie" that the Shah steered the land reforms. A consequence of this political objective was that roughly half of the employed rural population with nothing to offer but their labor received no land under any phase of the land reform, and even a portion of the cultivators immediately above these (strata 9,10, and 11) suffered from the enclosure of common lands and from the division or sale of landlord property where they had previously enjoyed use-rights. These landless laborers remain dependent on the former landowners-turned-commercial farmers and new landowning peasants for employment, or else they migrate to the cities in search of work.

## THE CONSERVATIVE BASIS OF REFORM

The Shah's proclamation of the "White Revolution" with its promise of "land to the tiller" was first and foremost a grand-scale political maneuver to offset the growing influence and restiveness of Iran's disenfranchised educated middle class. The regime needed a traditional ally to counteract the pressures emanating from this sector, and the Shah sensed that the upper strata of the peasantry could provide such a force. He and his US and British advisors realized that continued confinement of his regime's support to the landlord-rentier class was undermining any possibility for broader popular appeal, sabotaging the country's prospects for economic development (especially in the rural sector*) and therefore endangering the future of his regime. The conditions of political upheaval beginning in 1960 allowed genuine radical-reformers like Hassan Arsanjani to rise to positions of influence in the bureaucratic structure. He and other like-minded technocrats had become increasingly alarmed by the slow growth of agricultural production – so slow, in fact, that per capita agricultural production was actually declining, as shown in Chart II.

CHART II: INDEXES OF AGRICULTURAL PRODUCTION (AP) AND PER CAPITA AGRICULTURAL PRODUCTION (PCAP) FOR IRAN (1952-1954 = 100)

| | AP | PCAP |
|---|---|---|
| 1935-1939 | 85 | 118 |
| 1957-1958 | 117 | 106 |
| 1958-1959 | 119 | 108 |
| 1959-1960 | 123 | 106 |
| 1960-1961 | 118 | 96 |

Source: Khamsi, 1969

The social reality which lay behind these statistics was even bleaker: extensive studies by Professor M. Atai show a decline in real peasant income in most areas between the late 1920s and the early 1960s.[13] Within the context of this overall decline, a survey conducted in Khuzistan, Gilan and Mazanderan during 1964 shows a relative increase in peasant prosperity in the decade 1954-1964, independent of the effects of land reform, except for day laborers who often got the same wage as in 1954 despite the rise in living costs. A 1954 survey carried out by a three man team under the auspices of the Ford Foundation and the Iranian Ministry of Agriculture documented tremendous regional variations in income: the poorer peasants of villages in the southeast (Sistan and Baluchistan) made an incredible 8-14 dollars per year. Richer cultivators made only five or six times that much per family. At the other extreme, in one village in relatively prosperous Mazanderan province, the peasant families averaged $1,037 per year. Average annual family income in the three northern provinces of Gilan, Mazanderan and Azerbaijan was $516, hardly a resounding figure, but a relative fortune when compared to the average of $47 for the rest of the country. The median income for all peasant families in the survey was $112, but since the incomes of casual laborers were not accounted for, even this figure is too high.[14] Among the poorer peasants, the 1954 survey found appalling conditions: locusts and clover as the main food supply in a few areas; a majority seriously diseased; interest rates of 240 - 800percent. Collection of excess interest was an almost universal practice; the Islamic prohibition against it often resulted in the use of artifices to achieve the same purpose. The pre-buying of grain was widely practiced: in a typical case, the buyer (who may or may not have been the landlord) purchased the tenant's share of the wheat crop two or three months before the harvest, paying about 1/5 the probable market price which the grain would bring six months after the usual seasonal decline at harvest time. The "lender" in this case might receive the interest equivalent of 800 percent on an annual basis.[15]

In May 1961, when the US backed and "liberal-minded" Ali Amini became Prime Minister, he brought along Hassan Arsanjani as his Minister of Agriculture. The Shah was reluctant to confirm this appointment, but Amini prevailed. Within two weeks, Arsanjani organized a Land Reform Seminar

*The decline in per capita peasant income, and the continuing lack of a peasant market, served to undermine the incentives for productive long-term investments in industry and encouraged high profit, short-term speculation in such non-productive areas as urban real estate and luxury import financing.

to formulate steps for the implementation of land reform. His position:

> One can no longer continue with this system from the Middle Ages....In these land reforms we are facing the reactionary front which has wasted fifty years of the Parliamentary regime and has now confronted us with the choice of a "red" or "white" revolution. If the country remains in its present state it will explode.[16]

To maintain momentum while the necessary legislation was being drafted the government stepped up the distribution of the Crown Lands, and in January 1962, the Shah and Arsanjani announced a new decree-law* on land reform: (1) Landowners were allowed to retain no more than one village or parts of villages not to exceed six *dang*. Excluded from lands "eligible" for distribution were orchards, plantations of tea and certain other crops, land under intensive cultivation as nurseries, homesteads and mechanized areas worked by wage laborers; (2) the government was to reimburse landlords in ten years (later changed to fifteen) on the basis of the taxes they had been paying – this sum plus maximum 10 percent administrative costs was to be paid over fifteen years by the purchasing peasants; (3) only persons who became members of a village co-operative were eligible for land, and the deeds would be held in trust by the Agricultural Bank as security until all installments had been paid.

The ineffective Land Reform Act of 1960 had nevertheless served a purpose in warning the landlords that their lands might be subject to division on the basis of maximum holdings. Thus they had two years to transfer ownership of their villages to their wives, children and relatives before the actual implementation of the land reform. This accounts for the fact that only 13,904 of the country's roughly 55,000 villages were classified as "eligible" for distribution during the first phase. Since the landlords had the option (widely resorted to) of retaining portions of different villages in place of a single six *dang* village, the number of *whole* "eligible" villages was probably less than 9,000. In contrast, Arsanjani estimated in 1962 that about 15,000 villages belonged to landlords with *more than five villages*, and that 400-450 large landlords owned 57% of all Iranian villages.[17]

Mechanization as a criteria of exclusion was not defined in the law, but in practice officials used a rough quantitative formula, assigning point values to each farm improvement and piece of machinery. A landlord who scored 51 points or more was declared exempt from distribution. For example, a landlord who owned discs (10 points) and a tractor (10), had constructed ditches (5) and irrigation works (15) and used chemical fertilizers (5) and pesticides (10) was judged (with 55 points) to have "mechanized" his land. There was also an additional "make-weight" of five points which could be used at the discretion of the land reform officials.[18]

By September 1963, the date set for completion of land reform in the original plan, only 14.6% of the country's 55,000 villages had been bought by the government.[19] An even smaller number (3,000 - 4,000) had actually been *distributed* to the peasants. In five regions, less than 8% of the villages were purchased by the government. Among these were the Oman Coast (2%), Baluchistan and Sistan (1%) and Yazd (0%). Although by 1964, the land reform had formally entered its "second phase", government purchases under the "first phase" continued sporadically until the official end of the reform in 1972. Official figures for that year show that 14,646 villages had been "reformed" under the first phase, less than 27% of the villages in Iran. But only about a quarter of these were *entire* or six *dang* villages. According to Hossein Mahdavy the government discovered the wonders of creative accounting:

> Even if one-hundredth of a village were to be sold to the government, in most statistics issued by the government that village would be classified as "reformed"'....If only a fraction of a village is sold by one landlord, the entire household of the village are claimed to have benefitted from the reform. If a second landlord sells another fraction, the entire village household is counted as having benefitted from land reform....[20]

The government claims that by 1972 3.4 million rural Iranians had benefitted from distributions under the first phase. The rural population of Iran in that year was roughly 18 million; thus, even by the notoriously unreliable official statistics, only 19% of Iran's rural population bene-

*Since the spring of 1961, when he dissolved the Majlis, The Shah had been ruling by decree.

## DETERMINATION OF LAND VALUE

*The value of a landlord's holdings was calculated in the following manner: a certain multiplier was applied to the amount of tax last levied on the landowner's income from a given village. (Since 1956 there had formally existed a 10% tax on landlords' income from shared harvests and other dues.) When, for example, the multiplier or coefficient was 100, the value of the landlord's holding would approximate the equivalent of ten years' purchase of his net income. Coefficients were not standardized, and in some cases were "revised upwards after landlords unashamedly protested that the taxes they had been paying were based on ridiculously low valuations of their land." Coefficients were calculated by regions and ranged in magnitude from 100-180. The reformers claimed to have arranged the financing of the first stage "so as to keep the yearly installments payable by the peasant proprietors below the cash equivalent of the share of the harvest rendered to the landlord by the tenant before land reform." This was within the realm of possibility where the coefficients used to calculate the purchase price of the village were between 100 and 114. The resulting payment to the landlord was then roughly equivalent to ten to fourteen years purchase of the value of the harvest rendered in the past by the tenant. Thus a former tenant who is paying ten times his previous rent spread over a fifteen year redemption period obviously is laying out less each year than when he was dividing the harvest with the landlord; his installment charge is 66% of the previous rent. If the coefficient exceeded 115, the cost of the reform to the peasant surpasses the previous rent. The extra 10% administration charge levied by the Agricultural Bank on the total value of the transaction lowered even further the value of the coefficient at which installments exceeded rent levels. In only three provinces did the average regional coefficient stay below the breakeven 115 level, and in no province did the lowest coefficient sink below 100. The result was that no peasant got away with paying less than the equivalent of ten years' rent for his land, and most peasants paid more. A peasant who defaulted in the payment of installments-due for three consecutive years or more was liable to be dispossessed by the government and his holding assigned to someone else.*

Source: Denman, THE KING'S VISTA, pp.164,167,181,185.

fitted in some way from distributions under the first "radical" phase of the reforms.

As early as the winter of 1963, the Shah took steps to blunt the "radical" thrust of the first phase. Shortly after the Congress of Rural Cooperatives in January, at which the Shah announced his program of "white" revolution, Arsanjani took a rest trip to Europe. No sooner had he departed than security forces began to disrupt the work of land reform officials; previous orders of the Minister were contravened; new ministers hostile to Arsanjani appeared in the Cabinet; and a high level conference was called to discuss programs opposed by Arsanjani. On March 1st, he returned to Teheran at the Shah's request and was received in audience. According to the official version of what transpired, Arsanjani demanded \$100 million for the formation of cooperatives, centralization of all land reform programs under his Ministry, and certain cabinet changes to enhance ministerial cooperation. The Shah refused and "accepted" Arsanjani's resignation. His subsequent appointment as Ambassador to Rome separated him from his rural power base and undermined his progressive credentials among politically conscious peasants and urban liberals. The chief reason for Arsanjani's dismissal was that His Majesty feared his Agriculture Minister's growing power. The resolutions of the Congress of Rural Cooperatives had underplayed the importance of the monarch, "stressed the kinds of radical and divisive reforms that His Majesty had always sought to avoid, and suggested in their pleas for civil liberties that those virtues were somehow lacking in Iran."[21] The emphasis on "constitutional" and "human rights" represented a major bid for the support of urban political groups, the very groups His Majesty was trying to suppress. And he was undoubtedly alarmed by Arsanjani's capability to deliver thousands of peasants on short notice for pro-referendum* rallies. Arsanjani was recalled to Teheran in August 1964, after publishing a series of essays in Teheran newspapers outlining his radical views in order to protect his reputation. He died suddenly of a heart attack in May 1969. Many people believe he was poisoned by the government.

## THE SECOND PHASE

The second phase of the land reform was formally embodied in a series of Cabinet decrees which became known as the "Annexed Articles" (promulgated January 17, 1963). In addition to selling their land to the government under the terms of the first phase, landowners were now given the following options:

1. Rent the land to the peasants on the basis of the average net income of the past three years; the lease to be for 30 years and subject to 5-year revisions;
2. Sell the land to the peasants at a mutually agreed price;
3. Divide the land in proportion to the prevailing crop sharing agreement;
4. By mutual agreement set up a joint stock company with the peasants, with the landlord share in the company to be equal to his former share of the crop;
5. Purchase the peasants' use-rights.[22]

By the end of 1971, slightly over 80% (1.25 million) of the peasants receiving land under this phase became long term (30 year) lessees. Only 3.6% were able to purchase land from their old landlords, 5.35% formed joint enterprises, and 10.04% received land by division.[23] Although tenants' sale of their use-rights to landlords by 1972 accounted for slightly less than 1% of all transactions, over half these sales (6,779) occurred in Khorasan, the fiefdom of the Alam family, whose most prominent member is the present Minister of the Imperial Court.

## THE THIRD PHASE

By 1968, the Shah and his cabinet realized that the predominance of tenancies under the second phase had done little more than give legal sanction to the previous crop sharing agreements which dominated Iranian agriculture. The lack of any real reform gave rise to hostility between the tenant-sharecroppers and their landlords, which was heightened by the fact that a small number of peasants actually benefitted to some degree through the implementation of the second phase. Tenants in some areas were even banding together to oppose the land owners and withholding rent from them – not exactly the kind of activity the Shah had in mind when he inaugurated the reforms.[24]

In 1968, the government decreed a new set of regulations. The articles, entitled *The Distribution and Sale of Rented Farms to Farmers,* were limited to village lands and fields which had been let to tenants on thirty year leases under the second phase, and to the joint enterprises, which had never amounted to much in any event. The price paid for the land was determined according to a statutory formula: either ten times the annual rent for cash, or twelve times the rent when payment was made in installments over twelve years. If there was uncertainty over the customary shares in the harvest between landlord and tenants, the law imposed an arbitrary solution – one-third of the land to the landlord and two thirds to the tenant. Rather than sell their entire holdings, the overwhelming majority of landlords opted for division of their lands according to the previous crop-sharing agreements, and the reform bogged down in disputes over division, delaying tactics and paper work. The Shah was anxious to proclaim the "final emancipation" of the peasants before the gala 2500th Anniversary celebrations. In the spring of 1971, he issued a royal *firman* setting a deadline – Farmer's Day, September 23, 1971 – for the landowners to choose between sale and division. From that day on, land formerly under tenancies was deemed to have been sold to the tenants and future rental payments were to be accepted as installments on the purchase price of the land.[25]

While the number of landowners who had either sold their land or agreed to divide reached 260,000 by the summer of 1972, corresponding closely with the number of landlords letting land or holding it in joint enterprises in the second phase, the number of tenants actually acquiring land by purchase or transfer was about 800,000 – no more than two thirds the number of lessees receiving tenancies under the second phase. These statistics indicate that approximately one in three tenants (or roughly 500,000 cultivators) lost their rights on the land under the third phase and became landless laborers or migratory workers.

The probable total debt incurred by the government and the peasantry in acquiring the land from the landowners was on the order of 32,000 million rials (\$470 million).[26] The initial land reform law specified that landowners were to receive nine payment orders, each covering a tenth of the

*The nationwide referendum on the first six points of the Shah's "White Revolution" held January 26, 1963. (See MERIP REPORTS no. 40, p. 17.)

purchase price and dated to mature in a yearly series. The initial tenth was to be paid in cash upon completion of the transfer. In practice, the Agricultural Bank usually made cash advances far in excess of what the law required – the average cash advance during the first phase was 31% of what the law required – the average cash advance during the first phase was 31% of the purchase price.[27] Payment orders were both discountable and transferable, and appeared to fill a role in the economy similar to that of a money issue. It is believed that many landowners transferred their payment orders to money speculators at values well below par during the early years of the reform. Exactly how the land reform payments have been absorbed into the economy is obscure. Some of them were exchanged for shares in government-owned factories. One estimate puts the total so invested at about 543 million rials ($7.16 million), about 5.5% of the value of the lands purchased and 12% of the value of all payment orders issued. Another 433 million rials worth of payment orders were traded with the government to pay off taxes. It appears likely that a high proportion of the compensation money has found its way into financing urban real estate development and family commercial enterprises; "a not inconsiderable proportion left the country for investment abroad."[28]

## RURAL COOPERATIVES

As previously noted, one of the conditions laid down by the authorities for receiving land under the first phase of the reforms was membership in a village cooperative society. In some cases this consisted of merely eliciting a verbal pledge from the villager establishing his intent to join a cooperative should one be formed in his area. On other occasions, when villagers assembled to discuss land distribution, land reform officials asked them to elect a manager of the village cooperative then and there, or to accept one already elected in a neighboring village. Later on, when the cooperative movement gathered momentum, an annual general assembly of all "eligible" villagers (i.e., only those receiving land) elected a three-man executive committee for the cooperative, one of whom was made chairman. A "manager" – now often a government appointee – conducts the business of the cooperative rather than the chairman of the executive committee. Despite the provisions of the law, by the beginning of the second phase, when 8,042 villages had been purchased and partially distributed to the peasants, only 927 rural co-ops were actually properly equipped and operating under the supervision of the Agricultural Bank. Another thousand or so cooperatives existed in name only, while three quarters of the 8,042 villages were without recognized cooperatives of any sort.

The main reason for the slow growth of the cooperative movement during the first phase was that it was the stronghold of support for Agriculture Minister Arsanjani. The Shah refused to increase the supply of credit or the number of cooperatives until Arsanjani had been removed. Even with this accomplished, the Shah was wary of substantially increasing the flow of funds until he had established firm control of the cooperative movement. So in late summer of 1963, the government founded the Central Organization of Rural Cooperatives (CORC) and this organization took over the 927 cooperatives set up by the Agricultural Bank. (The Shah, meanwhile, brought in an Army General, Esma'il Riahi, as

Women peasants in Iran

Minister of Agriculture, and a Colonel, A.A. Valian, as Deputy Minister.) The following year (1964), the amount of loans granted by cooperatives trebled, and the percentage of members receiving loans jumped from 28% to 51%. But the total sums going into the cooperatives remained insignificant in comparison to the real credit needs of the peasantry and in relation to credit allocations in other areas.

CORC became the primary borrower, chiefly from government banks and the Plan Organization. The local co-ops and their unions in turn borrowed from CORC. Each local cooperative and union of cooperatives laid its own foundation of share capital and was permitted to borrow through CORC up to five times the value of the capital subscribed by the member shareholders. In exceptional cases, loans of up to ten and fifteen times the value of deposited capital was permitted. Individual members could theoretically borrow up to 20,000 rials against an initial minimum purchase of ten shares at 50 rials per share – an investment of 500 rials paid up in cash. A member's borrowing power increased with the number of shares owned, but by a multiple which decreased with the increasing value of the shares. This proviso was designed, in theory, to prevent the wealthier members from completely draining the pool at the expense of the less affluent shareholders. The cooperatives operated at 6% interest, using funds borrowed at 4% from their respective unions, which in turn borrowed from CORC at 3%.

In the summer of 1965, the head of the new Ministry of Land Reform and Rural Cooperation (A.A. Valian) called a halt to the formation of small village cooperatives and encouraged their amalgamation into larger ones and the formation of more cooperative unions. Certain of these unions and CORC have taken steps in the marketing business at the national and international levels, but most cooperatives are confined to providing credit, and in some cases, consumer items. By 1971 there were 3,000 cooperative stores in the larger villages. Only recently, under the fifth plan, has there been a move towards converting some of these credit societies into fully-fledged production cooperatives controlled by the government. This change is a result of the availability of increased revenues for agriculture, the need for drastic increases in output in order to limit food imports, and the predilection of the Shah for

ever increasing degrees of control.

Toward the end of 1969, the financial functions of the semi-autonomous CORC were taken over by the Agricultural Cooperative Bank, and the Shah urged the systematic amalgamation and reduction of the cooperatives to a total of 3,000. Just as the Ministry of Agriculture continued its separate existence after the formation of the Ministry of Land Reform and Rural Affairs, so the CORC retained a separate bureaucratic existence as the clearing house for loan applications to the Bank.[29] By 1973, 29,574 villages were being served by cooperatives with an average of one cooperative for every three villages in the network. But over 15,000 villages were still without cooperatives.

Like the rest of the agricultural sector, the cooperative movement has on the whole performed very badly. Since roughly half the rural population were landless or became so during the course of the reform, they were automatically excluded from membership in the cooperatives. Whatever credit needs they might have are still being met by the traditional moneylenders. A 1968 survey of credit sources for relatively prosperous peasant families in several districts showed that moneylenders still accounted for 38.6% to 58.5% of the loans received. Cooperatives on the other hand accounted for only 19% to 45% of the loans, with the balance being taken up by the Agricultural Banks (13% to 20%), other banks (0% to 11%) and the landowners (0% to 0.9%). The average size loan in most areas surveyed was more than twice the national average cooperative loan for that year, offering at least tentative evidence that greater amounts of money were more readily obtainable from moneylenders than from cooperatives.[30]

This is not surprising, as the flow of government funds to cooperatives has been a trickle compared to expenditures in other areas. For example, in the period 1967-70, credits granted through cooperatives as a percentage of total credit in the agricultural sector ranged from 27% to 34%. In turn, credit to the agricultural sector as a percentage of total credit over the same period declined from 10.7% to 8.1%.[31] Thus in 1970, for example, only 2.7% of all credit granted in the country flowed through the cooperatives. Even this miniscule figure does not give the complete picture. It has been estimated that "52% of the total of loans advanced to agriculture is not used for either short- or long-term farming purposes; over half the money is spent on consumables."[32]

## FARM CORPORATIONS

In 1965, the Shah told the High Economic Council that measures had to be devised to consolidate uneconomic farming units, expand the area under irrigation, and increase agricultural productivity. In the short run these goals could only be achieved, the Shah asserted, through the creation of what he called "farm corporations". Official visits were made to Israel to study the *kibbutzim* and the *moshav* and to Eastern Europe and the USSR to observe the collective farms. A year later, the Shah "again urged the formation of such economically viable units, called for mechanization, and stated a preference to see the villages *administered* as farm corporations."[33]

In Iran, the head of state's "preferences" have a way of becoming laws almost overnight. In 1967, the Ministry of Land Reform and Rural Cooperation received the Majlis rubber stamp on legislation initiating a "five years' experiment" with farm corporations – professionally managed, collectively owned farming units.

The new policy had six stated objectives: (1) to mechanize and expand the scale of operations; (2) to increase per capita income of the shareholders; (3) to acquaint shareholders with modern methods of agriculture; (4) to lower the man-land ratio and compensate for the displacement of labor by regional planning of resources between agriculture and industry; (5) to end the fragmentation of holdings, especially by the process of division at death; (6) to extend the cultivated area to previously barren and unused lands.

A major objective remained unstated–the furtherance of the Shah's economic and social control over the rural areas. This is quite clear from the fact that had the Shah's chief concern really been an increase in production, he would have poured money into the cooperatives. A far greater overall increase in agricultural output could have been obtained through encouraging incremental increases by millions of cultivators than through spectacular increases by several thousand peasants concentrated in a few farm corporations. This interpretation is reinforced by the fact that the move toward farm corporations coincided with the Shah's announcement of his intention to merge and reduce the eventual number of cooperatives to 3,000 and to supply them with government trained managers.

Once in a farm corporation, a village and its land were wholly committed to the enterprise. Membership was essentially confined to peasant farmers and landowners who fit the following four categories of eligibility: (1) peasants who had acquired land under the first distribution or by purchase or division in the later phases; (2) *Barzegaran*, or cultivators of plantations and orchards which had been exempted from distribution; (3) small landowners living in the villages who had agreed under the second phase to divide their land; (4) farmers and landowners who for some reason (mechanization, for example) had not been affected by the land reforms.

The law required that a vote be taken to form a farm corporation. Provided that at least 51% of those deemed "eligible" by the government agreed, the formation took place irrespective of the wishes of the other 49%. Moreover, most prospective corporations stretched over two or more villages: the government's calculation of percentages to ascertain the extent of the majority was not done village by village but over the entire region involved. An uneven distribution of votes meant the sweeping into a corporation of villages with a majority opposed to the policy. This travesty of democracy was compounded by confining the voting to peasants, other landowners and tenant farmers. The *koshneshinha*, or landless laborers–whose immediate environment and social order would be greatly disturbed and who constituted 40-50% of the rural population–were not consulted on the matter.[34]

The Minister of Land Reform and Rural Cooperation, Colonel Valian, had the sole authority to select the villages which would be given the "opportunity" to accept or reject a farm corporation. By the end of 1969, nineteen corporations had been sited and founded despite widespread resistance. There were 27 by the end of 1971, and 43 by the spring of 1973. Sizes ranged from the small showcase Aryamehr Farm Corporation, with 80 shareholders and 2,000 shares, to the huge Shahbad enterprise in Birjand, with 1,246 shareholders and 67,012 shares.

Peasants receive shares in the corporation in proportion to the amounts of land and property each has placed at the disposition of the enterprise. The peasants retain nominal ownership of the land; it is the "use rights" which, in effect,

are deeded in perpetuity to the state, although Iranian officials would never go so far as to admit that farm corporations are really a species of "state farm". After all, what would be the purpose of a land reform that gave the peasants title to their land only to take it away from them again? The differential shareholdings perpetuate the wealth divisions among the propertied peasants, while the gap between this group as a whole and the landless peasants widens as a result of the former's improved wages and participation in the profits of the corporation.

An average share represented (in 1972) 1,000 rials ($10.31) of the land's appraised value. Each shareholder has only one vote, regardless of the number of shares owned. Shares may be inherited or sold only to another shareholder or to the corporation itself.

The corporation's structure is nominally democratic: an annual General Assembly of Shareholders elects a three-member Board of Directors, who in turn decide among themselves who will be Chairman. The Board of Directors has the power, or more correctly, the obligation to select a professional manager for the corporation from among three candidates put forward by the government. Theoretically, decisions regarding the annual budget, basic investments, and so on are made jointly by the manager and the shareholder committee, but in practice the manager usually makes most of the decisions. He determines the most efficient plot sizes, assigns shareholders to specific jobs, sets production targets and makes the choices of planting and fertilizer techniques. The government-appointed manager holds a great deal of power, but according to one recent observer, it falls short of dictatorial authority: "The manager does what he wants, but he must convince."[35]

Up to ten villages may be united in a corporation; each is represented informally by a village headman. In addition to the manager, the corporation has a professional bookkeeper, two "inspectors," anywhere from one to four assistant managers, and various technical personnel, whose salaries are all paid by the state. These managerial and technical personnel live in comfortable compounds which are a cut above the housing provided for the peasant shareholders. Some members live in new (usually cinderblock) housing constructed by the government; others stay in the traditional villages.

Farm corporations are exempt from income tax and other fees which private companies must pay, and enjoy the right of eminent domain over contiguous private land. Shareholders are expected but not required to work for the corporation. Those who do not still receive a year-end dividend on their shares, and often move off the corporations to the nearby provincial towns. Financial statements are sent to the "inspectors" and to the Ministry of Cooperation and Rural Affairs. Distribution of the net profits is roughly along the following lines:

- 15% to the corporate reserve account
- a certain percentage to cover doubtful claims
- a certain percentage may be appropriated to the operating account for the next year
- part, upon approval of the General Assembly, may be paid as bonuses to the Director, Manager, inspectors, and employees of the Corporation
- the balance is divided among shareholders in proportion to holdings.[36]

Wage rates vary by the levels of responsibility, type of work and productivity of worker as determined by the Mana-





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ger and the Board of Directors. Because cultivation has become greatly mechanized, few corporations have found it necessary to hire much additional labor except for casual field help at peak seasons. A few laborers are given jobs in small agro-industrial enterprises like wool dyeing and ceramics, but for the most part the farm corporations have done little to relieve the plight of the landless laborers. In fact, they have contributed in some areas to a decline in rural employment opportunities.

In one relatively prosperous Gilan farm corporation, the average holding is 25 shares per family, yielding a return of approximately 320 tomans* per share, or 8,000 tomans ($1,176) annually for the average shareholder. Those who worked in the fields (in this case including both shareholders and non-shareholders) received a wage of roughly 520 tomans per month, or 6,240 tomans per year. The three shareholding members of the governing committee, who also act as overseers in the fields, receive more, as do workers with special skills, such as tractor drivers, combine operators and so on. Some of the peasants augment their incomes by cultivating private plots in addition to the corporate land, and marketing the produce themselves in the local bazaars. The managerial staff is drawn for the most part from the provincial towns. Most of them are trained in Germany or Israel, and none received training specifically to manage farm corporations, although some have had a quickie course offered by the government.[37]

Members of a corporation receive their income partly as a labouring wage and partly as dividends from their shares, which means that in bad years, when the corporations run at or near a loss, their income is severely cut. In 1971, one corporation in western Iran lost 50% of its villages.[38]

By 1970, the government had spent 617 million rials ($8.2 million) on 19 farm corporations, an average of 32.5 million rials ($436,000) per corporation. In contrast, the average capitalization of a cooperative during that year was 2.9 million rials.[39] At present, the farm corporations still account for only about 5% of the total agricultural output. The government's heavy investment in them can only be understood as a deliberate misapplication of the theory of scale economies in the interest of greater social control.

Recently, under the revised Fifth Plan, which allocated about $8 billion to agriculture, the government has renewed its drive to consolidate small villages in favor of larger more easily controlled settlements. A watered-down version of the farm corporation, the "producers cooperative," is now being emphasized. Land is still held individually, but a government-appointed manager directs the planting and harvesting and arranges for the marketing of the crops. As an incentive to cooperate, the government is making it easier for those who join to obtain medical care, education, insurance, building subsidies, tractor loans and other needs. In return, the government obtains "a firm grasp on the farmers." Although the standard of living of farmers who belong to farm corporations and producers cooperatives has undoubtedly risen, the tight bureaucratic control is swiftly destroying what remains of individual initiative and self-reliance. "It's like the Soviet system," according to one US expert. "The managers have simply replaced the landlords who were eliminated by the reform program." [40]

(* 1 toman = 10 rials.)

## BUILDING AN AGRO-TECHNOCRACY : THE DEZ IRRIGATION PROJECT

The foundations for the Shah's present foray into large scale corporate farming were laid during the second Seven Year Plan (1955-62). Ebtehaj, then head of the Plan Organization, later told *Fortune* magazine:

> We Persians are better poets than planners. We are imprecise, and we talk in terms like 'big' or 'much' that don't mean anything. Obviously, we needed a detailed, unified plan under regional management, and there was no better example of that anywhere in the world than TVA. I decided we had to have Lilienthal.[41]

At a World Bank meeting in Istanbul which they both attended in September 1955, Ebtehaj invited David E. Lilienthal, former Chairman of the Tennessee Valley Authority and the Atomic Energy Commission, to visit Iran in order to examine the possibilities for a unified regional development scheme similar to TVA. It was hardly a "chance meeting," as Ebtehaj later referred to it. The genesis of the Dez Irrigation Project (DIP) and Dam is an object lesson in how international bankers and "foreign aid specialists" go about their work. In June 1955 Lilienthal and another former TVA Chairman, Gordon R. Clapp, had formed the Development and Resources Corporation (D & R) in partnership with the international banking house of Lazard Freres. Before Lazard's Wall Street lawyers had even begun to draw up the articles of incorporation, Lilienthal gave World Bank president Eugene Black "a copy of a memo describing the new venture."

> He [Black] said the World Bank "welcomed" the idea, thought it was sound...suggested at once the possibility of our being useful in connection with the development of Iran. He is sending a World Bank man, Hector Prud'homme, on loan to the Iranians, to see me here tomorrow to see if the billion dollar program of development they have put under way can make use of us.[42]

While Prud'homme appeared interested in the D & R idea, and promised to "promote" it with the Iranians, Lilienthal could not restrain his doubts about the new enterprise. "Where will the money come from to justify it," he wrote, "and what will we do in the meantime?"

> It is at a time like this (with the Colombia situation* not at all good; with nothing else actually on deck) that I realize how I would feel if we didn't have the Lazard Freres underwriting, so we know the rent is paid. Of course, I could carry the deficit for a while personally but I would feel like a fool, to work hard to get some money, and then watch it wash away, while we sat around waiting for some "underdeveloped country" to develop *us*.[43]

Lilienthal did not have to wait for long. Prud'homme promptly went to see Lazard's senior partner, Andre Meyer, the "little-known" financier whom David Rockefeller† called "the most remarkable man on Wall Street, a real genius," [44] and who was mentioned earlier in connection with the Industrial and Mining Development Bank of Iran. Meyer had some kind words to say about Lilienthal's "concept":

*Lilienthal was adivsor to the Cauca Valley Corporation in Columbia —his first attempt at internationalizing the "TVA concept" with results similar to the misfortune which overtook the peasants of Khuzistan.

†"In 1971, D & R became affiliated with International Basic Economy Corporation (IBEC) of New York" — D & R prospectus. IBEC is a Rockefeller worldwide investment vehicle.

The thing about this new venture is that it is real, it deals with real things; and out of such a close knowledge of a country real business opportunities may appear. That is the original part of the Lilienthal idea, *bringing the foreign investment picture into intimate and realistic touch with a country, with the local people who can be depended upon.*[45]

A Wall Street *eminence grise* like Andre Meyer was thrilled to have as a partner such an esteemed former public servant as Lilienthal. What Meyer undoubtedly found "original" was the new public-spirited rationale for imperialist penetration which Lilienthal had outlined in the initial memo describing D & R:

Public development schemes that are practical, and bring the best results to the people themselves are those that provide a basis for opportunities, under which private business undertakings have a good prospect of success. Unless there is the development of private business, virtually contemporaneously with the first wave of public activity, expenditures for development works are largely wasted. In most of the so-called underdeveloped countries....there is an absence of business imagination, character, and creative financial judgement and experience. To aid in bringing such talents, as well as capital, to the private development needs and opportunities of such a country is an integral part of the problem of aiding in the economic and social advance of such a country.[46]

The opportunity to bestow "business imagination, character, and creative financial judgement" on the Iranians was quick in coming. Two months after the World Bank meeting, Ebtehaj wrote Lilienthal confirming the invitation to visit Iran in February 1956. "The timing for the Iran expedition couldn't be better." Lilienthal recorded in his *Journal* "for the Middle East has again become the center of a great struggle between the Communists and the West."[47]

In March 1956, Lilienthal and Clapp signed the first of a series of contracts with the Iranians which continues to this day. "We have taken a degree of responsibility," Lilienthal wrote, "quite extraordinary for private individuals in their own countries, to say nothing of a foreign country so strange and new to us. But that is what the Iranians wanted, and that is what we have agreed with them to do." Getting Majlis approval for the contract did not present much of a problem. The Shah "called in a group of thirty-four legislative leaders and told them to push through the contract with us, including the appropriation necessary." A few days later, Lilienthal received a cable from Ebtehaj "saying that this had been done..."[48]

By 1959, D & R had won approval of a plan for "the unified development of the natural resources of the Khuzistan region." It called for the construction of 14 dams, 6,600 megawatts of power production, and hundreds of miles of canals to irrigate an eventual 2.5 million acres – a multi-billion dollar undertaking that would take many years to complete. The Shah ordered work begun at once.

While the first project – dam, powerhouse and canals – was being constructed on the Dez River, Lilienthal and his cohorts sought a quick showpiece that would convince prospective investors that large-scale farming and food processing, or "agribusiness," could pay off in the province.[49] They found their showpiece in sugar cane. D & R started a cane plantation near Haft Tapeh, north of Ahwaz, and subcontracted with the Brewer Company of Hawaii to manage it. After two years of operations, Lilienthal observed in 1962, "the plantation at Haft Tapeh is already an operating unit, with the necessary common mechanical units, common housing, common technical services. In short, it is about where some of the land reform activities now being gestated will be after a generation of what I hope will be something quite new, i.e., *peasant farm corporations.*"[50] That was three years before the Shah began to talk about *his* unique solution to Iran's agrarian problem. By 1971, Haft Tapeh's 26,000 acres were producing one of the world's highest unit yields –12 tons per hectare–and providing around 10%–60,000 tons–of Iran's consumption.[51]

One of the conditions which the World Bank laid down in 1959 for financing the completion of the Dez Dam was that a portion of the DIP be devoted to a pilot irrigation project to demonstrate the benefits of modern farming techniques to the local farmers. The project encompassed 58 villages on 50,000 acres, and D & R signed agreements with the landlords that they would make certain improvements and pay the water charges. It was on this representation that the World Bank made the Dez Dam and irrigation loan. But the Governor General of the Province opposed the scheme and encouraged a large number of landlords to withdraw their approval. The following year, land reform came to the area, and D & R technicians were forced to deal directly with the peasants until the staff of the newly created Khuzistan Water and Power Authority (KWPA) had received the necessary training. This "child conceived by us," as Lilienthal referred to the KWPA, was set up as the regional TVA-like agency to inherit the functions and responsibilities carried out by D & R – the Dez Dam, the sugar plantation and refinery, irrigation facilities, the obligation to collect water charges, the power system, and so on.[52] Lilienthal entertained grandiose hopes for the Gebli "pilot irrigation project":

And yet I am as sure as I am writing these notes that this pioneer area, this beginning of only 45,000 acres, swallowed in the vastness of the Khuzistan, will become as well known as, say, Salt Lake City, founded by a handful of dedicated men in a pass of the great Rockies....through a

US-made tractor-loader harvesting sugarcane in Khuzistan

strange turn of the wheel of fortune I have had the opportunity to do something useful in giving these wonderful but terribly poor men, women, and beautiful children a chance to put their latent powers to work for their own betterment. This is not one of those oversimplified stories of a Robin Hood: attacking the rich and thereby making the poor better off; it is a rational reasoned *program* that will enable these people to raise more food, bring medical care to them and their babies with the eye sores and fly-*covered* faces (faces that I will never, never, forget) – and a series of things which have been set down by us in the cold unemotional type of "reports."[53]

The Gebli irrigation project was far from a resounding success. Although production jogged along tolerably well, it did not increase as fast as many government officials hoped it would. Some of them blamed the peasants and started to talk about the inefficiency of peasant farming and the need for larger mechanized farming units. The fault really lay with the government, which failed to provide sufficient credit and extension services for the farmers to adopt the new techniques with confidence. Understandably enough, no traditional farmer wanted to go deeply into debt to try new techniques which he did not comprehend and which he was not sure would work. This problem was compounded by an over-forceful sell by D & R and KWPA officials, and by a lack of bureaucratic understanding in Teheran.

Consequently, there was an emphasis in the Fourth Plan (1968-73) on "the creation of large farming and animal husbandry units to be operated by advanced techniques." The government passed the Agro-Industrial Act, authorizing the creation of such large units on unoccupied land near dams or groundwater projects. Their industrial half, if any, falls under the supervision of the Ministry of Economy, and the 'agro' half under the Ministry of Water and Power, which provides canals for units over 100 hectares, and roads for units over 1,000 hectares. The rest, including minor canalization and the employment of laborers, is left to the companies under a 30-year lease. Their shares may be bought by foreign companies as well as by Iranians.[54]

In 1968, the KWPA got tired of waiting for dramatic production increases from peasant farmers on the DIP, and granted long-term leases of their lands to foreign and domestic agribusiness companies. By 1973, the roughly 250,000 acres of the Dez Irrigation Project had been carved up among the following companies:

–*Hashem Naraghi Agro-Industries of Iran and America* (20,000 hectares)

| | |
|---|---|
| Shareholders (prior to Fall 1974): | |
| Hashem Naraghi Development Co., Escalon, California | –51% |
| First National City Bank, New York, N.Y. | –30% |
| Iranians' Bank, Teheran (founded by Ebtehaj) | –10% |
| Three individual stockholders | – 9% |

–*The Iran-California Corporation* (10,000 hectares)

| | |
|---|---|
| Shareholders (prior to Fall 1974): | |
| Agricultural Development Fund of Iran (ADFI) | –15% |
| Khuzistan Water and Power Authority (KWPA) | – 5% |
| Mr. K. Taleghani and Partners | –10% |
| Trans World Agricultural Development Corp. (operating agents, headed by George Wilson) | –30% |
| Bank of America International Financial Corp. | –20% |
| John Deere Corp. | –10% |
| Dow Chemical Corp. | –10% |

–*Iran Shellcott Co.* (15,000 hectares)

| | |
|---|---|
| Shareholders (current) | |
| Shell International, Ltd. | –70.5% |
| ADFI | –15% |
| Bank Omran (belongs to Pahlavi Foundation) | –10% |
| Mitchell Cotts (operating agents) | – 4.5% |

–*International Agricultural Corp. of Iran* (17,000 hectares)

| | |
|---|---|
| Shareholders (current): | |
| Chase Manhattan Bank | –15% |
| Bank Melli | – 5% |
| Mitsui (Japan) | – 5% |
| Ahwaz Sugar Beet Factory | –15% |
| ADFI | –15% |
| Diamond A Cattle (Roswell, New Mexico) | –15% |
| Hawaiian Agronomics (operating agents) | –15% |
| KWPA | –15% |

–*Dezkar* (5,000 hectares) – now defunct
Shareholders: A group of retired Iranian Generals.

–*Dez Farm Corporation* (17,000 hectares)
Shareholders: Former peasant farmers and landowners in the area of the Dez Irrigation Project. Managed by the government.

To make way for agribusiness the KWPA has been "buying" the land of the farmers from 58 villages within the project area, usually against the desire of the peasants to part with it. In 1971 officers of the companies estimated that 15,000 people had been directly affected. A more recent 1974 estimate put the number of displaced persons at 17,000, and more removals are planned for the future to keep pace with the expansion of the irrigated area. There were roughly 40,000 people living on the 50,000 acres of the original project area when the agribusiness moved in and began their "scientific" land levelling operations. To replace the villages which have been bulldozed away, the KWPA has so far constructed five *shahraks,* or new towns. Despite a foundation of only 40 square meters, each new living unit has been planned for ten persons. According to the KWPA engineer responsible for their design, the rooms were deliberately made small in order to prevent the villagers from living with their animals as they had done in their former homes. The salaried farm laborers of Khuzistan have traditionally raised chickens, cows, and sheep in order to supplement their meager cash incomes – the move to the *shahraks* has made it more difficult, if not impossible, for the peasants to continue raising these animals. The new towns so far constructed are without piped water, modern plumbing, or waste treatment facilities. Communal taps serve as the source of drinking water, and for every two units (20 persons) there is an outdoor lavatory. Because KWPA thought the traditional mud houses uncivilized, the new ones are made of cinder blocks, which are far less suited to local conditions, being very hot in summer and very cold in winter. To obviate any serious resistance to the removal policy, the KWPA took advantage of the racial prejudices among the local peasantry and removed the Arab population first. The Iranians soon received the same treatment, however, and for the purposes of assimilation Arabs and Iranians are now placed in alternate rows within the same *shahrak.*[55]

According to George Wilson, a former head of the California Farm Bureau whose Trans World Agro-Development Company has levelled roughly 10,000 hectares, "All the villagers got progressively in debt as Khuzistan was modernized. So badly in debt that when KWPA came to buy their lands, the net gain of the villagers was almost nothing."[56] For those

## AGRIBUSINESS SEES MIDDLE EAST OPPORTUNITY

*New opportunities for foreign investment appear to be opening in the Mideast as Egypt and the oil countries seek private assistance in turning the desert into farmland.*

*But the problems investors face may be equally numerous a recent two-day conference here on the potential for US agribusinesses in the area suggests.*

*About 120 people attended the privately-sponsored conference in this farming town east of San Francisco, including American businessmen and experts on Saudi Arabia, Iraq, Iran and Egypt. A reason for having it here was California's experience with large-scale farming using irrigation.*

*Charles Widney, a private New York consultant on Mideast investment, was among those who were optimistic about the prospects, barring a new Arab-Israeli war.*

*"I think there will be a big increase in business over the next three years and it will remain at a high level for the next 10 to 15 years," he said.*

*But other participants in the conference made clear that US or European firms attempting to get a piece of the business might not always find it easy.*

*George Wilson, a California agribusinessman whose firm has been developing 25,000 acres of farmland in Iran since 1968, claimed that bureaucrats in Teheran were beginning to obstruct the project now for reasons he did not understand.*

*His company has suspended plans for expansion elsewhere in the Mideast until it solved its problems in Iran, he added.*

*However, even Mr. Wilson felt that the Mideast was a land of opportunity if a way to seize it could be found.*

*The specialists in the various countries made clear that the opportunities were different in each. A first distinction was whether the country was socialist, like Iraq, or had room for private enterprise in its economy.*

*In Iraq, unlike the other countries represented, no land would be made available for development by foreigners. But like the others it was placing new emphasis on agricultural development in the hope of becoming self-sufficient in food before the oil runs out.*

*Faud Taima, an Iraqi investment consultant who trained at the Wharton School of Finance in Philadelphia, told the conferees: "Where you might be of assistance is in providing infrastructure."*

*Specific examples lay in irrigation systems, manpower training, land reclamation, the dairy industry and veterinary medicine.*

*Irrigation systems appeared to be one of the strongest possibilities and Mr. Taima emphasized that what Iraq looked for was turn-key projects with management contracts providing trained men to run them.*

*Saudi Arabia, Iran and Egypt, by contrast, were open to joint ventures between foreigners and nationals on leased land. In Egypt 99-year leases were a possibility. In Iran Mr. Wilson's firm held its land on a 30-year lease.*

*Saudi Arabia appeared to offer the strongest inducements. A Saudi national could obtain as much as 10,000 acres of free land from the government if he could prove his ability to farm it.*

*With such a national in a joint venture, a foreigner could obtain a 50 per cent government subsidy and up to 40 per cent in interest-free loans, along with a five-year tax holiday.*

*In these circumstances, said a Saudi spokesman, named Sami Labban, "there is a good chance to make a profit."*

*But Saudi Arabia clearly needs to offer all the inducements it can. Foreign farm corporations would need to bring their own field labor with them. The wife of a foreigner would live under Islamic law and could not even drive a car.*

*Further, another participant pointed out, Saudi Arabia was not putting all its eggs in one basket. With Kuwait and Abu Dhabi it was investing heavily in Syria in the belief that Syria could supply all of the Mideast with fruit and vegetables within 10 years.*

*Of the four countries, Egypt appeared least prepared to receive the foreigner. Aly Morad, an undersecretary at the Egyptian Agriculture Ministry, said Cairo had not even been able to decide yet at what price reclaimed land would be leased.*

*But change, with strong political overtones, does appear to be under way.*

*Cairo, Mr. Morad said, is in the process now of deciding which of six American firms would be given a chance of developing 30,000 acres of potential farmland between Alexandria and the capital under a plan first talked of two years ago.*

*US and European firms were already helping Egypt draw up plans for agricultural development on both sides of the Suez Canal – 600,000 acres on the East Bank and an unspecified number in the Sinai.*

*"Why should they not be involved in implementation too?" he added, raising the prospect of a possible new factor in American-Mideast relations were US firms to help develop the Sinai.*

The above article, datelined Turlock, California, appeared in the JOURNAL OF COMMERCE, October 23, 1975

peasants who were actually paid something for their land, the situation was not much better. They soon discovered that more or less the same sum was demanded of them to pay for their house in the *shahrak.* [57] One KWPA official was especially proud of a group of dispossessed and marginally employed villagers inhabiting makeshift quarters. "Now we have migrant laborers," he told an American visitor, "just like you have in California."

Wage rates for seasonal unskilled labor are still very low in Khuzistan, as they are in most of Iran. The presence of the farm corporation and the agribusinesses have done nothing to raise the welfare of this majority sector of Khuzistan's rural population. This year at Shellcott, for example, unskilled wages range from Rls. 95 ($1.40) per day for women to Rls. 120 ($1.80) for men. With luck this means a maximum annual income of perhaps 30,000 rials, or roughly $440 per year. Many receive less. In contrast, a heavy equipment operator at Shellcott receives about 10,000 rials per month and is employed year round, yielding an annual income of roughly $1800. An Iranian work supervisor at Hashem Naraghi in 1973 was earning Rls. 130,000 - 150,000 ($1,910 - $2,260) or roughly five times the income of an unskilled laborer. As-

cending the occupational ladder, one finds the Iranian head of the accounting office at Iran California earning Rls. 915, 000 or about $13,450 annually. The managing directors (either Iranian or foreign) of the agribusinesses earn roughly twice this amount. For example, the managing director of Iran California in 1970 received Rls. 1.8 million, or $26,470. At the top of the agro-technocratic pyramid stands the project manager, almost always a foreigner. During this particular year at H-N Agro-Industries he netted Rls. 3.2 million, or about $47,000 – tax free. This level of remuneration for the top manager is standard with the other companies, and is undoubtedly even higher now due to inflation.

The Iranian bureaucrats of the KWPA are not doing so badly either. Despite World Bank provisions to the contrary, millions of the original DIP loan were used by the Iranian government to build a plush seventy office, four-story headquarters to house them. Their residential "compound" in the Ahwaz-Dezful area, which houses about 120 families, has two cafeterias, a cocktail lounge, a golf course, horseback riding, children's recreational center, a movie house, and so on. A three story deluxe guest house accomodates the rich Teherani bureaucrats when they come down for a visit, usually in the spring in order to celebrate the new year and sample the magnificent strawberry crop. The compound has a government "free" school with an auditorium, film program, science center, and library. There is an average ot twenty pupils in a class, while in the town schools there are not fewer than fifty pupils per class, with restricted admissions. There is only one lab for about every five schools in town, no libraries and no film programs. The KWPA engineers' compound has free bus service to and from town every hour and a resident doctor on duty at all times, whereas the new workers' towns lack resident doctors and transportation to medical care in the event of an emergency. The provision of free transportation to the engineers is ironic since all of them have at least one car.

The Ahwaz-Dezful compound also has a *subsidized* comissary, carrying items such as beef that cannot be bought elsewhere in the area. Despite these amenities, it is the most modest of the exclusive government compounds in the Khuzistan region. Those at the Haft Tapeh sugar plantation, the Andimeshk Air Force base, and the Abadan oil company, for example, have even larger houses, better medical facilities, better stocked commissaries, greener, more expansive golf courses, classier restaurants and clubs, and so on. There is also a British compound for Shellcott employees, replete with restaurant, pool, clubhouse, commissary, Anglican minister, and church.

In 1965, all the government personnel for the Dez Irrigation Project lived in Ahwaz, as did the early D & R employees. Now the city has exclusive compounds not only for the KWPA but also for the National Iranian Oil Company, the Air Force, and two ministries. There are similarly exclusive suburban areas for the private sector. It was the Iranians and not the foreigners who insisted on these special compounds. According to one former resident of the area, foreigners would prefer to live "where there is a little life." The compounds "are total non-communities, even worse in this respect than the *shahraks*." A typical official or company compound has air-conditioned $50-70,000 homes with adjacent servants quarters and garage. Gardening and domestic services are usually provided free of charge.

The KWPA is typical of the bureaucratic expansionism which afflicts Iranian official organizations. In 1973 there were approximately 250 administrative and technical staff for the Dez Irrigation Project in the Dezful area alone – 120 in the compound and about the same number in town. In addition, there were at least 250 tea boys, chauffers, secretaries, messengers, guards, gardeners (KWPA has its own landscaping unit), repairmen, mechanics, etc. There were easily another 200 or more bureaucrats working on the project in Ahwaz, because the office in the provincial capital has to supervise, check and double check what is done by the team in the field. Hashem Naraghi, a retransplanted Iranian who made millions of dollars growing almonds near Escalon, California, told an American visitor that the KWPA has roughly 500 vehicles working on the Irrigation Project alone. In contrast, he said, California's Imperial Valley Authority employed 60 people using 15 vehicles to coordinate the irrigation of a much larger area. When all his fancy farm machinery arrived at the Gulf port of Khorramshar, Naraghi paraded it to Dez in order to dramatize the takeover of agriculture by large scale enterprise.

Notwithstanding the official enthusiasm and the large sums of government money poured into the DIP, the performance of the agribusinesses has so far been unremarkable. With the exception of the cane plantation at Haft Tapeh, increases in yields have not been as spectacular as KWPA and the companies so confidently predicted. The firms which started up in 1970-71 are "still very much at the critical, too much cash expended, not enough cash coming in stage," according to one Shell executive.[58] In broad outline Shellcott's story is representative of all the agribusinesses in Khuzistan, and in other parts of the world as well.

The initial choice of crops was made on the basis of studies performed at the US-advised Safiabad research station located in the project area. Performed on micro-plots – where all variables (fertilizer, water, pests, etc.) can be tightly controlled – the Safiabad studies could not give an accurate picture of what true yields of various crops would be when planted over thousands of hectares. Ignoring this discrepancy, Shellcott and the other companies forged ahead with the list of five suitable crops handed them by Safiabad and sowed vast acreages. None of the crops did very well, and after several years of trial and error Shellcott arrived at a schedule of winter crops of sugar beet and wheat (marketed domestically) and a summer crop of cotton (marketed by Mitchell Cotts, Ltd.). With the exception of relatively small plots devoted to cash crops such as asparagus and strawberries, and fodder crops such as alfalfa, the above cropping pattern is roughly that adopted by the other companies.

Upon the recommendation of Lord Rothschild, a friend of the Shah and a member of the Shell board, the company brought in an international transport and commodity brokerage firm, Mitchell Cotts, Ltd., to manage the new agribusiness (hence the name Shellcott). Mitchell Cotts operates in more than 20 countries and has heavy investments in South Africa, a huge cotton plantation in Ethiopia (recently nationalized, but MC has been retained as the operating agents), and a tea plantation in Ecuador, to name a few. According to an MC executive, the final selection of crops was made "purely on the profit element." So far Shellcott has been a losing proposition financially, but it has been faring better than most of the other agribusinesses.

The initial wave of optimism about the venture was soon submerged by a host of problems: the company found out it could not double-crop; the land was in much worse con-

dition than expected, requiring heavy investments in fertilizers; more earth than anticipated had to be moved in order to level massive tracts of land for precise methods of irrigation; the KWPA fell behind the agreed upon timetable for construction of irrigation works. In view of these difficulties Shellcott has, with the government's concurrence, reduced by half the acreage they originally promised to develop, thereby undercutting the chief rationale for calling in agribusiness in the first place. According to one senior Shell executive, "We've already well overspent the budget for the whole of the fifteen [thousand hectares] on the first six... It's very much more capital intensive than anyone expected."

When queried about why the company had opted for such a capital intensive approach, particularly in view of the abundant labor supply in the area of the DIP, a senior Mitchell Cotts executive responded that "Khuzistan was not like Africa," where manual labor is forthcoming at very low wages. Peasants didn't want to work for the agribusinesses, he said, because they weren't faced with absolute economic necessity. They can "pick and choose." Hence the need for capital intensive production. He also hinted that the Iranians had manifested a desire for the latest and fanciest equipment so they could claim to be in the forefront of agricultural modernization. The alternative of drastically raising the wages for field work and improving working conditions was apparantly considered uneconomic.

Agribusiness officials also expressed dissatisfaction with the policies of the Iranian government. In reference to a 9½% loan which Shellcott had obtained from the Agricultural Development Bank of Iran (one of the project's minority shareholders), an MC executive remarked, "With that kind of money around your neck, it's bloody difficult to make a profit." [59] His sentiments were echoed by a senior Shell executive, who said he was trying to obtain financial assistance under the new law on developing lands which would apply retroactively to the investments which Shellcott had already made. "By and large," he complained, Shellcott was "not getting enough assistance from the government." He believed the company deserved soft loans from the Agricultural Development Bank at 3½% rather than at the 9½% commmercial rate which Shellcott presently pays. "It's not the kind of venture an oil company would have gone into as a straight investment," he said, "particularly with hindsight." [60] But the company hopes to break even by 1977, pay off the loans by the early eighties, and thereafter operate at a profit. "Our lease is for 25 years," he said, "and we certainly do not intend to pull out."

Two of the other companies – H-N Agro-Industries and the Iran California Corp. – have already pulled out after experiencing what Naraghi calls "creeping nationalization." The official reason given for the demise of these firms is that under the Iranian commercial code, companies must increase their share capital if losses exceed 50% of the issued capital. Shellcott was able to come up with the additional money, but the prime shareholders in the other companies were less than forthcoming. the motivations of the Iranian shareholders are obscure, but could very simply revolve around their desire to takeover the farms and run them for themselves. In the case of Iran California, some say the reason for the company's takeover by the Agricultural Development Bank was that "John Deere and Dow Chemical [two shareholders] got what they wanted so they got out." [61] Both companies have been making investments in Iran which are both larger

Shah accepts New Year's greeting from Prime Minister Hoveyda

and potentially more lucrative than their relatively small interests in agribusiness. Unlike operating agents such as Naraghi and Wilson, who earnestly believed they could repeat their California successes, most of the other prime foreign investors manifested an apparent interest in agribusiness in order to smooth their way to bigger and better investments. Something of their motives can be gained from the background to the creation of Shellcott. According to one senior Shell executive,

> The original idea of going in was that in 1970, the Shah said the oil companies tended to take money out of Iran and not put it back in. In 1970, that was long before the oil price increases, of course, and Iran was not a particularly wealthy country, so we said, OK, we'll make a gesture which will be appreciated and help the Shah in his farming policy, and we searched around to find something and this we thought would. It was really by Shell terms a fairly small investment, but one that helped meet his criticism that we never invested in Iran, which to a certain extent is true – we invested in oil things, of course, but not much else.
>
> So that was the basic rationale. I wouldn't call it a public relations gesture. I would call it more simply a gesture to show that we were willing to invest in other things, particularly at a time when there wasn't much money around. Today we wouldn't do it because Iran has much more money..."[62]

Shell's willingness to "help the Shah in his farming policy" has apparently paid off in areas beyond the main-

tenance of good relations in oil matters. Shell Chemical Co. Iran, set up with private Iranian participation, is now operating a 2,000 ton/yr. pesticide plant at Qazvin, 100 miles north of Teheran. The demand for pesticides has been growing at an average 10% per year over the last few years.[63]

There is an irony to the Shah's emphasis on large scale agricultural units which extends beyond the particular failures of the companies in Khuzistan. The potentialities of highly mechanized corporate farms have been ballyhooed far beyond their actual capabilities. An analysis of corporate farming failures in the US by the *Farm Journal* noted that "financially oriented brass didn't really understand farming" and that the companies tried to grow too fast "so that they didn't have a chance to make little mistakes before they made big ones."[64] Corporate "farmers" assumed that with modern economies of scale, they could grow crops much more efficiently than smaller, independent ones. But most studies show that, because of the critical importance of close personal involvement, the most efficient producing unit is a farm that can be run directly by its owner(s). Economies of scale in farming end rather quickly. A 1967 USDA report revealed that for California peach growers, average costs were minimized in orchards of 90-110 acres. Even for field crops such as cotton, alfalfa, and barley, which lend themselves to almost total mechanization, producers in California's San Joaquim Valley were found to obtain lowest average cost at about 640 acres. This is less than *300 hectares* – the Dez agribusinesses are cultivating similar crops in the thousands of hectares! As soon as a farming operation grows to the point where critical decisions are no longer made by the men in the field, costs begin to mount. Overhead, in particular, can increase drastically as extra layers of management are needed. Experienced supervisors, with no direct personal stake in the enterprise, will not only demand higher salaries than those common to smaller individually or collectively owned enterprises, but they will almost certainly be less conscientious or willing to work under unpleasant conditions. To this must be added the costs of specialized advisors and the travel costs for management whose main center of operations may be hundreds or even thousands of miles away. Agribusiness in Iran generally, and in Khuzistan in particular, presents these problems in their extreme form.

Yet the Iranian government is opening up a whole new area – the Dasht-i-Moghan plain below the new Aras dam – to foreign and domestic agribusinesses, including Hawaiian Agronomics, Dunlop Ltd, and a Japanese firm. Despite their serious disadvantages, the agribusinesses are slated for at least 8% of the total irrigated area by the end of the Fifth Plan.[65] The chief reason is once again the Shah's reluctance to place even half his eggs in the same basket. There are many agencies and parts of agencies concerned with agriculture. Ranged against the KWPA and the Ministry of Agriculture is a lobby in Teheran which feels that the corporations and agribusinesses are receiving a wholly disproportionate share of the government's money and expertise and that more attention should be paid to the individual commercially-oriented farmer and to the peasant cooperatives. But even within the pro large-unit lobby, there is a split between the Ministry of Agriculture supporting corporations and the Ministry of Water and Power which favors agribusiness. The Shah keeps all the agencies happy by parcelling out a portion of the task of agricultural development to each, assuring that the bureaucrats will continue to consume their energies in petty jurisdictional and policy squabbles and never stop to balk at the one indisputable fact of their existence – that it is the Shah who tells them what to do.

## CONCLUSION

Iran's "White Revolution" was intended primarily as a means to develop a traditional ally for the Shah's regime to counter the growing strength and dissatisfaction of the disenfranchised middle class. It had become clear by 1960 that the landlord-rentier class was an inadequate base for long-term stability of the regime, and that not only broader political support but economic development in the rural areas was being stifled by reliance on the landlords. The Shah recognized that an alternative class alliance could be constructed. The upper strata of the peasantry could provide a counterforce to the restive urban middle class if a certain degree of restructuring took place in the countryside. The "White Revolution" was designed to achieve the necessary alterations in the social relations of rural Iran.

Prior to this conservative-type reform, social relations in the countryside of Iran were traditional, but not feudal in any technical sense. Absent landowners controlled most of the land, but ownership was fluid, with holdings often shifting from one overlord to another and considerable sub-renting and fore-selling of crops. The result was a lack of stability in management of agricultural production and little interest an investment by the owners beyond routine maintenance. The sharecroppers occupied the land they tilled on sufferance, possessing no legal or inheritance rights. In this social structure no corporate forms of organization developed either among the owners or among the tillers, and definite hierarchical relations of production rooted in the rural system were not established.

The central government was able to take advantage of this absence of solid structure in the countryside to impose structures that would serve the Shah's interests. The regime was able to take advantage of the class structure existing in the countryside by reinforcing the position of small owners, leasers of productive instruments, and heads of work teams, whether or not these people were actual cultivators. The landlord-rentier class was compensated for the partial dispossession they actually underwent, but the 40-50% of the rural population that consisted of sharecroppers and laborers did not benefit. The middle strata of villagers engaged in agriculture and the non-agricultural strata of moneylenders, shopkeepers, and religious leaders were the beneficiaries of the "White Revolution".

But the Shah maintained considerable control over this restructuring. He blocked movements within the government toward any radical land reform and even inhibited any appeal to the educated middle class for support of land reform. He managed in this way to prevent any involvement by liberal urban political groups, and to create a counterforce in the rural areas to the urban middle class. In the countryside itself, the regime established cooperatives but did little to assist them to develop into more than credit societies until there was a serious need to increase agricultural productivity in order to decrease imports. At that point, the cooperatives became production cooperatives but government appointed managers appeared to direct many cooperatives in place of the local executive. Small cooperatives have been forced to amalgamate into larger cooperative units, and government

Continued on p. 24.

# Current Events

## THE UNITED NATIONS AND THE PALESTINIAN STRUGGLE

For two years now the United Nations General Assembly has emerged as a prominent forum for debate and propaganda around the Palestinian struggle. In November 1974 the Assembly recognized the Palestine Liberation Organization as the "Sole legitimate representative" of the Palestinian people, granted the PLO observer status at the UN, and invited PLO Chairman Arafat to address the Assembly. In Resolution 3236 (XXIX) the Assembly reaffirmed the national rights of the Palestinian people, including the right to return to their homes and property and their right to self-determination, independence and sovereignty.

This November the Assembly passed three resolutions to further the Palestinian cause in general and the PLO role in particular. Resolution 3375 invites the PLO "to participate in all efforts, deliberations and conferences on the Middle East which are held under the auspices of the UN on an equal footing with other parties." Resolution 3376 establishes a "Committee on the Exercise of the Inalienable Rights of the Palestinian People," to be composed of twenty member states to be selected by the Assembly. The Committee is mandated to recommend to the Assembly "a program of implementation, designed to enable the Palestinian people to exercise the rights [recognized in Resolution 3236]." Lastly, Resolution 3379 "[determined] that Zionism is a form of racism and racial discrimination" and is therefore to be combatted and eliminated under the terms of the UN Declaration on the Elimination of All Forms of Racism of November 1963. It was this resolution which provoked the prolonged tantrum of Ambassador Moynihan and the Western media, following the lines laid down by Israeli Ambassador Herzog, who labelled it "the first major international anti-Semitic attack on Jewry since the days of Hitler."

* * * * *

The question of Zionism and racism is important to clarify. Zionism is not a doctrine of racial superiority *per se*, as is *apartheid.* But Zionism's racist dimension is intrinsic to it, a function of its colonialist character. The Law of Return, which grants automatic Israeli citizenship to any Jew from Brooklyn or Kiev but denies it to a native Palestinian, is a racist law and is an *essential* part of Zionism. The continued expropriation of Arab land for Jewish settlement is racist, and it is *central* to Zionism. The Emergency Defense Laws that Israel uses to control its Arab population may not be racist in and of themselves, but they are applied in a racist fashion to accomplish racist objectives. The racist dimension of Zionism stems from the application of that ideology in the establishment and maintenance of the state of Israel.

It is because Zionism is colonialist and racist and because of its vital links with British and US imperialism that Israel's presence in the Middle East is so precarious and so hotly contested. This also lies at the root of the deep-seated and long-standing hostility of most African and Asian nations to Israel. It is the Palestinian Arabs who have borne the brunt of the racism rooted in Zionist ideology, political institutions and practices. This resolution represents some minimal recognition of that oppression by the General Assembly which, one November a generation ago, in 1947, approved the infamous partition plan. Ambassador Herzog referred to that vote ("by an overwhelming majority") in this year's debate, conveniently neglecting the fact that only one African state, Liberia, and one Asian nation, Philippines, voted for partition, and both of these were American neo-colonies, as were most of the Latin American states which went along.

The connection between Zionism and racism is more easily grasped by those who have suffered similar oppression than by Americans and Europeans who are quite unable to face up to the corollary indictment of their own vicious history of racism and anti-Semitism. Moynihan made the outlandish charge that "the General Assembly today grants symbolic amnesty – and more – to the murderers of the six million European Jews." He said not a word about racist US immigration policies, which pro-Zionist scholar Henry Feingold, in *The Politics of Rescue,* concludes contributed directly to Hitler's final solution, or about US refusal during World War II to bomb the extermination camps and the railroads to them.

This systematic distortion of the issue by the American and Israeli delegates was fully abetted by the coverage in the media. The *New York Times* ran a story on November 12 headlined "Why and How Anti-Zionism Move Won," which in fact reveals next to nothing about the reasons for the resolution, but told a good bit about how the *Times* deals us the news. Reporter Paul Hofmann tells us he interviewed several dozen ambassadors from Asia, Africa and Latin America and that "each of the third-world representatives *professed to condemn anti-Semitism.* All the delegates who spoke in support of the anti-Zionism document in yesterday's Assembly made a point of stressing their respect for the Jewish faith." [Emphasis added.] But lest we are left with the impression that anti-Zionism may *not* be anti-Semitism, Hofmann tells us that "some sensitive listeners [too sensitive to be identified, of course–*MR*] said that they had detected faint anti-Jewish overtones in at least a few of yesterday's speeches," and then treats us to a carefully selected sampling of the remarks of Saudi Ambassador Baroody, whose rantings often do reflect the strong anti-Jewish feelings of the Saudi ruling family.

It is doubtful that any formulation of the Zionism resolution could have prevented the distortions of the US media, and it is certainly not the responsibility of the Palestinians and their Third World supporters to cater to the special prejudices of the American public on this question. At the same time, an opportunity was lost by not formulating a forceful condemnation of anti-Semitism as a form of racism and racial discrimination, either as part of the anti-Zionism resolution or separately. During the debates in the Human Rights Committee, where the resolution originated, on October 16 the Iraqi delegate asserted that "Anti-semitism as a basic tool of Zionism should be condemned as strongly as Zionism. If there was a roll call vote on a draft resolution condemning anti-semitism, the Zionist representative would find that his maneuver had failed..." It is a serious mistake that this was not pursued.

This resolution by its very nature should have been the focus for education and debate about the character of Zionism and the nature of racism. If any such education took place, however, it is not reflected in the UN debates, either in the committee or the Assembly. Both sides indulged in a good deal of sheer name-calling. When asked for "proof" of the resolution's accuracy, its proponents were all too often content

to cite previous declarations by the non-aligned nations conference and the like, rather than provide a reasoned and documented argument for their case. Sadly, the only presentation that came close to providing this was the speech by Kuwait's Ambassador Sayegh in the Assembly immediately before the vote. (His remarks were carried in the *New York Times,* Nov.12.) More than one Afro-Asian delegate expressed the need to understand the issues better, given the seriousness of the charge, before having to cast a vote. In some cases this was a delaying tactic, but for others it may have been a sincere effort to come to grips with the question. The refusal of the resolution's backers to make this accomodation diminished the positive impact and seriousness of the resolution when it was finally passed.

A final ambiguity surrounding the resolution relates more to the character of the UN than the nature of Zionism. At one point Herzog told the Assembly: "On this issue, the world as represented in this hall has divided itself into good and bad, decent and evil, humane and debased." Nothing could be less true. For while one will not find any progressive, anti-imperialist countries among those opposing the resolution, one can find among its supporters, Arab and non-Arab, many countries whose anti-racist credentials are suspect, to say the least, and some regimes that rank among the most reactionary and oppressive in the world. For example, Iran's Hoveyda told the Assembly that Iran, which maintains close relations with South Africa, was voting not out of commitment on the issue "but out of a spirit of solidarity with our Arab brothers." On the other side, we have France and Belgium asserting that the Zionism draft will harm the effectiveness of the anti-*apartheid* campaign. Kuwait retorted:

> Is there anybody in this hall gullible enough to believe that Belgium would have participated in action in order to combat racism and racial discrimination but for the draft resolution on Zionism? Is there anybody in this hall who is gullible enough to believe that the EEC group of countries would have opposed racism in South Africa actively, by action, were it not for the draft resolution on Zionism?

Kuwait's own policies, including the ruling family's large stake in firms specializing in exploiting African resources and labor, were unfortunately not given a similar critical reception.

The United Nations is an organization of governments and regimes. The question such as whether Zionsim is a form of racism and racial discrimination is not one to be resolved by a majority vote: its truth or falsity does not hinge on the number of ballots aye or nay. It is for just this reason that the way in which the debate was conducted and the opportunities seized and foregone become as important as the final roll call. And the lesson this time around is that there is still much work to be done.

* * * * *

The other two resolutions dealing with the Palestinians and the PLO are of more immediate consequence, and appear to be much less ambiguous. The resolution establishing the special committee was strengthened considerably by making reference to last year's General Assembly endorsement of Palestinian rights rather than the Security Council resolutions of 1967 and 1973. It remains to be seen whether this committee can play a role in mobilizing international opinion and utilizing UN and related agencies in providing concrete assistance to the Palestinian cause.

It is Resolution 3375, granting the PLO participatory status in Middle East peace negotiations, that represents the achievement of the Palestinian movement to date in forcing the regional and world powers to recognize the centrality of the Palestinian issue. At the same time, it carries with it a danger of being forced into compromises with Israel and with its erstwhile allies, Syria and Egypt, as they move steadily down the road to "peaceful settlement."

The danger for the PLO can best be understood in the context of Kissinger's emerging strategy to split off the "moderate" Palestinians, led by Arafat and *al Fateh* , bringing them into Geneva-type negotiations with the promise of a West Bank state and the premise of at least *de facto* recognition of Israel. This is the message from the testimony of Kissinger's assistant Harold Saunders to the House International Relations Committee tee on November 12, two days after the UN Zionism vote: "It is obvious that thinking on the Palestinian aspects of the problem must evolve on all sides. As it does, what is not possible today may become possible." Elsewhere in his testimony Saunders spelled out a little more clearly what his boss had in mind:

> Officially and publicly [the PLO] objective is described as a binational secular state, but there are some indications that coexistence between separate Palestinian and Israeli states might be considered... When there is a greater precision about those objectives, there can be clearer understanding about how to relate them to negotiations.

Kissinger disclaimed foreknowledge of Saunders' testimony, and brushed off suggestions that, as the *Jerusalem Post* put it, the Saunders document "represented a decided lurch towards the PLO." "Three times a week I announce that there is no change," Kissinger told the *Post.* "Just relax and have a nice weekend." (*Jeruslaem Post Weekly*, November 18, 1975)

Kissinger will have a harder time trying to shake responsibility for the US decision not to veto the Security Council resolution renewing the UN force on the Golan Heights and bringing the PLO into January's Council debate on the Middle East. This process was hastened with the emergency meeting of the Security Council following Israeli raids on Palestinian camps in Lebanon which killed 91 and wounded hundreds more.

Kissinger's pattern in all of this has been to avoid any direct role and therefore criticism. His agents have been Saunders, Moynihan, and Anwar Sadat, whose delegation introduced Resolution 3375 in the Assembly right after Sadat's extended talks with Kissinger and Ford in Washington and Florida. The decision to move on the Palestinian question is partly a result of the fact that it was one of the few possible "steps" remaining for Kissinger, since a Golan interim settlement was not at all on the cards. The PLO's momentum toward greater international recognition has been renewed in the UN developments this fall, but it is also moving more and more into the framework of conventional diplomacy, closely allied to the Syrian strategy and limited by Syrian objectives. The relative ease with which the PLO presence at the Security Council was achieved raises a further question: was the bitter and aggressive stance of the US during the Zionism debate a smokescreen and a foil behind which Kissinger's PLO strategy could unfold?

## U.S. PUSHES EGYPTIAN OPEN DOOR . . .

Cairo, 20 November – Gerald Parsky, assistant secretary of the US Treasury, has stated that the current contacts on encouraging US investments in economic development projects in Egypt have entered a new stage in three areas. These are the study of a number of specific projects, creation of a suitable atmosphere encouraging the flow of capital, and giving technical aid in addition to increasing the US aid to help in developing the infrastructure in Egypt.

Parsky asserted that President Anwar as-Sadat's visit to the United States was extremely successful, particularly in giving a new thrust to attracting US investments and in explaining the economic open-door policy his government is adopting.

Parsky said the Egyptian Government fixed US participation in development projects in Egypt at $2.2 billion in 1976 and fixed the size of US and other investments in the next 5 years at $14 - 18 billion. He added that the US Government is completely convinced of the seriousness of the Egyptian demands and the policy of open doors, as evident in the statements made by senior US officials.

The US Government, he added, has contacted more than 40 US companies which expressed a desire to operate in Egypt. Parsky said these companies intend to invest about $350 million in Egypt and that the projects they propose include four very important ones connected with the production of aluminium, tires, chemicals and liquids.

Speaking about technical aid, Parsky said he has proposed four new projects in which the US Government would participate. These are the preparation of comprehensive statistical studies of industrial, economic and social activities, the preparation of new customs regulations, which will be prepared in cooperation with US experts, along with the invitation of Egyptian customs officials for training in the United States, participation in the improvement of work in Alexandria port area to overcome the problem of piled-up goods and facilitating customs measures, and helping the Egyptian Government in preparing sound management for development projects.

Parsky praised the improvement in the Egyptian balance of payments and the decrease in the deficit in 1976 by half a billion dollars. He said this is a good sign which indicates that the Egyptian Government is following an energetic economic policy and tackling its economic and financial problems directly. He said he will convey this bright picture to the US Government.

Parsky affirmed that investment activity is a consistent and growing concern, and that the present stage is one of investments with a quick capital return. The cost of each such project usually runs between 10 and 15 million dollars and is carried out within a few months and makes an income within less than 18 months.

He said he related to officials in Egypt the US Government's thinking on the improvement of the investment climate and summed it up as defining the bases of partnership and profits and the offering of the highest degree of incentives for investors and providing assurances for them.

*Source:* Foreign Broadcast Information Service, *Nov. 21, 1975. Middle East News Agency account of Parsky's press conference.*

## . . . BUT THE DOOR WON'T OPEN

During his November visit, President Anwar Sadat stressed repeatedly in speeches throughout the US Egypt's desire to attract foreign capital to invest in the Egyptian market. To the New York Economic Club Sadat spoke of the need for a "blood transfusion" for the Egyptian economy, mentioning the sum of "over $3 billion." In his address to the Houston (Texas) Chamber of Commerce Sadat stated:

> There are unlimited opportunities for investments in Egypt. We build our cities in a way that guarantees a fair share for every honorable man. We create a favorable atmosphere for the establishment of just and healthy relations. I know you are keen on preserving your independence. Hence you must appreciate the extent of our insistence on the preservation of our independence and our freedom of will in the political, economic and ideological fields. For this reason, we have enacted laws to encourage foreign investment and increase the activity of free zones. Foreign investors are now immune from nationalization, custodianship sequestration, and seizure. We also guarantee the re-export of profits and capital.

Despite Sadat's "extremely successful" visit and the US Administration's urging of American businesses to "vigorously pursue" investments in Egypt, Assistant Secretary Parsky admitted that Egypt's "open door" policy has failed to attract a single "significant" US investor since its inception 18 months ago. This confirms what observers of the Egyptian economy already knew. Nevertheless, US officials remain optimistic, arguing that it is still too early to judge the relative merits of the new economic policy.

The "open door" is a crucial component of both Egyptian and American policy in the Middle East. For many Egyptian officials it represents the road to economic development. In the view of the United States, it is intended to exert a moderating influence on Egyptian internal and foreign policy and thereby contribute to stability in the region. Central to the "open door" policy as it was first formulated was the notion of "triangular investment" which would link US technology, Arab capital and Egyptian labor and locus. As it has evolved, the "open door" has assumed a more bi-lateral nature since the major outcome has been to formulate joint ventures which would be dominated by American or West European capital. Given the US and Egyptian stake in the "open door" policy, what are the possibilities for its success?

The failure of the "open door" to date brings into sharp relief not only the inability of foreign capital to understand the internal dynamics of Egyptian society but also the inadequacy of a capitalist model of development for Third World countries. The atomistic approach of bourgeois economics fails to grasp the totality of the social formation which it seeks to analyse. US officials and potential investors argue that US investment in the Egyptian market would be assured if only high officials in the Egyptian government would clearly define the terms of this investment and pressure the Egyptian bureaucracy to process requests of foreign investors with greater efficiency. Such an argument fails to recognize the impediments which the existing class structure in Egypt place in the way of foreign investment.

Unlike the June War of 1967, which ended relatively quickly, during the October 1973 War Egypt's middle and upper middle class paid a heavy price. Obituary notices throughout the following winter and spring pointed to the large number of tank officers of middle class origins who lost

their lives in the ferocious battles fought in the Sinai. It was imperative that Sadat deliver a payoff to the class which constitutes the basis of his regime's political support. Given his own ideological proclivities and the need to ensure his own political position, the "open door" presented a most attractive policy option.

As it turned out, the "open door" has been stymied by the very class it was intended to reward. While the Egyptian bourgeoisie has responded enthusiastically to the relaxation of restrictions on imports (thereby severly affecting Egypt's balnce of payments deficit), it has been lukewarm at best to the idea of giving foreign capital a significant role in the Egyptian market. It was only after the American Embassy in Cairo pressured Egyptian Prime Minister Mamduh Salim that Chase Manhattan and First City National Bank were able to begin operations in Cairo. The opening of these and other foreign banks is primarily symbolic since the flow of foreign capital for which they were intended to be conduits has not materialized.

While it is true that Egyptian capitalists in the private sector welcome the "open door" policy, public sector firms, which still control 90% of the productive capacity of the economy, are more reluctant. Thus we see a split between the politically weak private sector and the powerful public sector which perceives foreign capital as a threat to its domestic interests. The idea, then, that "cracking a few heads" in the bureaucracy is all that is needed to implement the numerous proposed joint ventures fails to take cognizance of both the fear which the Egyptian bourgeoisie feels when confronted by by foreign capital and the inability of Sadat to alienate his political base. Public sector firms have indeed entered into negotiations with foreign capital during the past eighteen months, during which time Egypt has witnessed a flood of visits by US, British, French, German and Japanese businessmen. To the frustration of foreign cpaital, however, the Egyptian bourgeoisie has insisted that joint ventures be formulated *on its own terms*. Thus public sector officials and Cabinet Ministers have refused to make prior commitments on such vital issues as the exchange rate for converting foreign currencies and the repatriation of capital by foreign firms. Without firm commitments on these issues, US firms such as Ford, General Motors, General Electric, Union Carbide and others have refused to consider investing in the Egyptian market.

The continued growth in the number of university graduates further hampers the prospects of this policy. While there has been talk in the Egytian Parliament of repealing the law that guarantees all Egyptian university graduates employment in the government, the Egyptian government would do so at its peril given the severe unrest that already exists among Egypt's student body. At the same time, the continued expansion of the already cumbersome and inefficient bureaucracy only adds to the prblems faced by foreign capital which has "complained about the length of time it takes to get decisions on even the smallest matters from the Egyptian bureacracy". Attempts to streamline the bureaucracy are not presently within the realm of possibility.

An additional impediment to the "takeoff" of the "open door" policy is the archaic nature of the Egyptian communications and transportation infrastructure. Telex and telephone facilities are severely underdeveloped as are the rail facilities and port capacity of Alexandria. Although the Agency for International Development (AID) is giving the highest priority to reconstruction in the Canal area which will increase Egypt's port facilities as well as the modernization of Egypt's infrastructure, its funds are limited.

The Saudis, Egypt's principal bankroller, have begun to show reluctance at continuing to give Egypt unlimited donations which they do not feel have been put to very productive use. While the Saudis have a strong interest in seeing Sadat stay in power, they cannot be counted upon as an unlimited source of capital. They may only provide funds to cover Egypt's short-term liquidity crises which emerge on a periodic basis. Another of Egypt's financial backers, the Kuwaitis, are reportedly considering the possibility of canceling their aid for political reasons. On November 4, a bill was proposed in the Kuwaiti National Assembly to cut off Kuwait's annual aid of $107 million (pledged to Egypt during the Khartoum summit of 1967) as a "protest against Egypt's signing of the Sinai agreement with Israel."

In formulating the "open door" policy no attention has been given to the crux of the matter; the exploitative nature of foreign capital. In order to be attractive, investments in Egypt must yield a return of twenty per cent or more, usually within five years after the commencement of operations. In a recent talk at Princeton University, the director of the Egyptian Economic Mission to the United Nations, Ali Abd al-Maguid, spoke of an expected return of investment of thirty per cent. His stress on this high rate of return and the low wages earned by Egyptian labor confirm the fears expressed by Egyptian trade unionists in the Arab Socialist Union during the past year that allowing foreign capital to enter Egypt would constitute a return to the "feudalism" of the pre-Revolution era.

The success of the "open door" will become crucial to the United States if additional progress is not made in acquiring further Israeli withdrawal from occupied Arab territories. In such an event, it is the intention of US policy that economic development will function in lieu of diplomatic success. Taking into account the broader perspective of Egyptian class structure and internal politics and the specific commitments demanded by foreign capital, it is wishful thinking to believe that Egypt can be saved by the very forces which have been responsible for its underdevelopment. Pressures by the International Monetary Fund (IMF) for Egypt to devalue the pound will continue as will the pressures for Egypt to specify in detail the benefits foreign capital can expect to find in the Egyptian market. As such Egypt finds itself caught between an increasingly stagnant economy dependent upon the world market prices for agricultural commodities (such as cotton) and massive surplus expropriation as a result of the direct investment of foreign capital. The "open door" will not succeed because Egypt can not afford further exploitation by international capitalism. Only a radical restructuring of the relations of production within Egypt in conjunction with linking Egypt's development with that of other progressive Third World countries can offer any hope for the future. In the case of foreign capital, a closed not an open door is what is called for.

*Sources:* Foreign Broadcast Information Service, *Nov. 3, 1975;* Journal of Commerce, *Oct. 31, 1975;* Middle East Economic Digest, *Oct. 24, Nov. 14, 1975;* Washington Post, *Oct. 31, Nov. 7, 22, 1975.*

## NEW IRANIAN OFFENSIVE IN OMAN

The last two months have seen significant developments in the ten year old national liberation struggle in Oman: the end end of the rainy season brought the predicted Iranian-British offensive against the areas of Dhofar liberated by the People's Front for the Liberation of Oman; the People's Democratic Republic of Yemen was attacked for the first time since 1972; recent reports suggest that the US may now be involved in the actual fighting. The aim of the offensive is to consolidate the gains made by the Iranian and British forces in last year's offensive by cutting the PFLO's supply lines with the PDRY, thus finishing off the remainder of the PFLO forces in Dhofar.

Fighting has intensified since the middle of September after the heaviest ever summer fighting. In the last two weeks of September five enemy planes were shot down, including three Iranian helicopters. The pilot of one of these helicopters was captured by the Front, despite attempts by British planes to kill him after his helicopter had been forced down.

The offensive began in earnest on October 15, when Omani soldiers led by British officers moved out of the Sarfeet base (near the border with the PDRY) in an attempt to cut the supply lines that run between Sarfeet and the coast. The next day Iranian reinforcements were brought in by helicopter, preceded by a heavy land, air and sea bombardment. On October 17 the Iranian and Omani forces carried out a sea-borne landing again preceded by a naval bombardment. On October 21 Iranian forces staged another helicopter landing in the liberated areas. Fighting continued through October and November as the PFLO counterattacked the new positions established by the British and Iranian forces. PFLO military communiques indicate that the fighting has been extremely fierce, and that the British and Iranian forces are paying a high price in men and equipment for any advances they make.

The Iranian-British offensive was not only directed against the liberated areas in Dhofar. Attacks were also made on the PDRY, the first since the air raid on the border town of of Hauf in 1972. In this new attack Hauf was subjected to bombing by American-made Iranian F-4 fighters, the targets being a Yemeni police post, a PFLO hospital and PFLO anti-aircraft defenses. Hauf was also bombarded from the sea during the night of October 17.

Iran is reportedly worried about the new PFLO weapons which include 76.2mm guns, 81 and 82mm mortars, Russian-made Katyusha missiles and 14.5mm anti-aircraft guns. The Omani government claims that the Front has three 130mm guns in the PDRY which are firing across the frontier into the Sultanate. Reports that the Front is now equipped with hand-held SAM-7 missiles appear to be confirmed by the successes the Front has had in shooting down aircraft.

Iran is using the offensive to try out its new US-supplied weapons. The attack on the PDRY was the first time that Iranian F-4s had been used in actual combat and there was a report that the F-4s had been refuelling in the air – "more for practice than necessity". There have been persistent reports that for at least the next five years Iran will continue to rely on the US (there are now 2000 US Army and Air Force personnel involved with the Iranian military) for training and technical assistance. This raises the possibility of US involvement in the fighting in Oman. "Responsible American sources have indicated that while it is unlikely that US military personnel actually took part in the fighting, American technicians were more than likely to have assisted in the maintenance of equipment near the fighting zone." (*Washington Post*, Nov. 18, 1975). This distinction between actual involvement in the fighting and maintenance of equipment seems academic, and smacks of earlier British claims that British personnel were merely training the Sultan's forces and not actually taking part in the fighting.

The Arab countries have maintained their usual silence on Oman, where intervention by a non-Arab state which supplies oil to Israel is considered better than supporting "Marxist atheists." At the end of September Jordanian troops were reportedly being withdrawn, but on October 3 the PFLO stated that they were still there. A report in the *Middle East Economic Digest* (November 14, 1975) quoting the *Daily Telegraph* said that Iran was sending more troops to replace Jordanian troops that had been withdrawn under Saudi pressure – the Saudis reportedly did not like seeing Arab fighting Arab. As the Iranians are perfectly capable of continuing the fight without Jordanian assistance, this report seems credible.

At the beginning of November the PFLO announced that it was sending a delegation to various Arab countries which would concentrate on the Jordanian intervention. In a statement the PFLO pointed out that it "considers the Jordanian military intervention an Arab concern, because Jordan is acting with Arab authorization.... The Arab brothers should take deterrent measures against the Jordanian regime, which is using huge Arab aid in an aggressive war against an Arab people instead of against the Zionist enemy." An earlier statement at the end of October had strongly criticised the Arab regimes for their silence: "We appealed to them in the name of Arabism and humanity, but the brothers were deaf, dumb and blind, unable to comprehend anything.... The escalation has aroused Arab and world public opinion, yet the Arab regimes make no move and have shut their mouths in a despicable manner."

The dependence of regimes such as Egypt on Iranian and Saudi money makes it unlikely that the PFLO will get any response to their mission. Even the PLO has been muted in its support of the PFLO. There was an inconclusive meeting of the Arab League's South Oman *(sic)* committee on November 8: the committee takes the view that what is happening in Oman is a dispute between the PDRY and Oman, a view the PDRY and PFLO reject; so the PFLO is unlikely to get any help from this quarter.

The outcome of the fighting is at present unclear. A military communique issued by the PFLO on November 27 spoke of attacks on the Sarfeet base, the base from which the present offensive was launched. Other reports speak of the PFLO being forced to withdraw over the border into the PDRY, and of the Iranians being about to declare a unilateral cease-fire coupled with a withdrawal of part of their forces. In any event, it is clear that the next few weeks will be decisive ones for the Omani revolution.

*Sources:* Gulf Bulletin, *no. 10 (Oct. 1975);* Gulf Newsletter, *Sept., Oct., Nov. 1975;* Foreign Broadcast Information Service, *Nov. 7, 13, 28, 1975;* Middle East Economic Digest, *Nov. 14, 1975;* Le Monde, *Nov. 13, 14, 1975;* Saut Al-Thawra *(Newsletter of the PFLO), Nov. 8, 1975;* London Times, Supplement on Oman, *Nov. 18, 1975;* Washington Post, *Nov. 28, 1975.*

Continued from p. 18.

control has increased with the increasing stress on productivity.

The regime's desire to maintain firm control over the rural areas and to increase the efficiency and productivity of the agricultural sector, has led it to place proportionately more of its resources into alternative forms of organization. The stress is now on farm corporations rather than cooperatives, and on capital-intensive agribusiness. In the corporations the land is, in effect, controlled by the state and collectively farmed by the members of the corporation. Professional managers direct the operations of the corporation, though their powers are less than dictatorial. But government control over these corporations is more extensive than over the cooperatives, and the bureaucratic management of these structures makes them reminiscent of state farms. The farm corporations, and a newer variation called "producers' cooperatives," are organized in a manner that protects and perpetuates the Shah's social reorganization of the rural areas. Landless peasants have no say in any of these structures, and differential shareholdings preserve the wealth divisions among the landed peasants.

Due primarily to insufficient credit and extension services, peasant farmers were unable to adapt new farming techniques, and production did not reach the levels desired by the government. In 1968, the government gave up on waiting for production increases from the peasants, and turned to the foreign and domestic agribusiness companies to increase production through captal-intensive mechanization rather than through labor-intensive methods. At this point dispossession of some landed peasants began.

Agribusiness has not proved to be a panacea for Iran's problems in agricultural production. One problem seems to be the secondary interest of some of the companies involved in the projects. For Shell, Dow Chemical and John Deere, entry into agribusiness in Iran has functioned as an avenue either for protecting other interests already present (oil) or for entrance to new, more lucrative investments than agribusiness. A more serious cause of the unsatisfactory results of the undertakings, however, is the general failure of this type of corporate farming. They are inefficient. Economies of scale in agriculture end rather quickly, with the most efficient producing unit being a farm that can be run directly by its owners. This general failing of agribusiness has been amplified in Iran.

Despite these negative results, the Shah plans to expand the areas open to agribusiness in Iran. The chief political benefit that he will obtain from this policy will be the continuing conflict within his own government bureaucracies over agribusiness and other agricultural policies, precluding any united opposition to his dictatorship.

[1] John Fischer, "Report from Iran," II, HARPER'S MAGAZINE, April 1965.
[2] MANCHESTER GUARDIAN, March 30, 1974
[3] Peter Avery, "Iran 1964-68:Mood of Growing Confidence," WORLD TODAY, Nov.1968,p.454.
[4] IBID., p.457.
[4a] R.E. Benedick, INDUSTRIAL FINANCE IN IRAN (Boston, 1964), chapter on IMDBI.
[5] Marvin Zonis, THE POLITICAL ELITE OF IRAN (Chicago, 1969)p.30; James Bill, THE POLITICS OF IRAN (Columbus, 1972)pp.11,106.
[6] Bill,p.10. [7] Zonis, p.23
[8] D.R. Denman, THE KING'S VISTA (UK, 1973) p.9. Despite its sycophantic tone in parts and its distorted political judgements, this book — the semi-official history of the land reform — surprisingly makes no grandiose claims concerning the nature and extent of the reforms and contains some useful data. Although Iranian government statistics concerning reform have a reputation for being grossly exaggerated, the data presented by Denman nevertheless provide evidence for a rather limited bourgeois land reform.
[9] The preceding discussion of rural lineage was based on an unpublished manuscript and extensive discussions with a western scholar with considerable experience in Iran.
[10] N.R. Keddie,"The Iranian Village Before and After Land Reform," JRL.of CONTEMPORARY HISTORY (July 1969) p.75.
[11] IBID., P.74. [12] Cited in IBID.,p.79.
[13] Cited in IBID., p.70. [14] IBID., pp.71-2.
[15] JR Motheral, "Land Reform in Iran:Problems and Possible Solutions,"REPORT for US Operations Mission in Iran (July 1957).
[16] Cited in Zonis,p.55. [17] Keddie, p.83.
[18] Denman,pp.103-4. [19] Denman,p.117.
[20] Hossein Mahdavy, cited in Keddie,p.83.
[21] Zonis, p.59. [22] Keddie,p.86.
[23] Denman, p.339. [24] Denman, p.144.
[25] Denman, p.147. [26] Denman, p.266.
[27] Denman,p.170. [28] Denman,p.268.
[29] Denman, Chap.XIII. [30] Denman,Tables 20,21.
[31] Denman, Table 31. [32] Denman,p.263.
[33] Denman,p.210. Emphasis added.
[34] Denman,p.213.
[35] Interview with Prof. Teodor Shanin, July 1975.
[36] J. Frievalds, "Farm Corporations in Iran: An Alternative to Traditional Agriculture," MIDDLE EAST JOURNAL (v.26)p.185.
[37] Shanin interview.
[38] Michael Field, "Agro-business and Agricultural Planning in Iran," WORLD CROPS (Mr-Ap 1972) pp.68-72.
[39] Denman, p.231. [40] WASHINGTON POST,6/2/74.
[41] L.Griggs,"Oil and Water Rebuild an Ancient Land," FORTUNE, November 1970.
[42] D.E. Lilienthal, JOURNALS,IV,p.4.
[43] IBID., p.7. [44] IBID.,p.6
[45] IBID.,p.10. Emphasis added. [46] IBID., p.2
[47] IBID,p.46. [48] IBID,p.84. [49] Griggs.
[50] Lilienthal, JOURNALS,V,p.453.
[51] Field. [52] Lilienthal,V,p.137. [53] IBID.,p.75.
[54] Field.
[55] Richard Critchfield, "How Lonely Sits the City," II, mimeo, Alicia Patterson Fund (NY,1971); notes from meeting with KWPA engineering personnel in Ahwaz, 1974; and personal interviews with scholars.
[56] Cited in Critchfield. [57] Shanin interview.
[58] Personal interview, July 1975.
[59] Personal interview, July 1975.
[60] Personal interview, July 1975.
[61] Personal interview with American scholar, April 1975.
[62] Personal interview, June 1975. [63] Field, p.72.
[64] Dan Cordtz, "Corporate Farming: A Tough Row To Hoe," FORTUNE, August 1972.
[65] IRAN ECONOMIC NEWS, March 1975.





101

# Book Review

*The Track,* (published as volume 2 of *The Forging of a Rebel*) by Arturo Barea (New York: Viking, 1974)
*Morocco under Colonial Rule; French Administration of Tribal Areas, 1912-1956,* by Robin Bidwell (London: Frank Cass, 1973)

Dry and conservative academic works have dominated the study of colonial history. A refreshing exception is Arturo Barea's *The Track.* Recently republished just thirty years after it originally appeared, the book is a remarkable critique of Spanish colonial rule in Morocco. It is an autobiographical novel, recounting the author's experience as a sergeant in the Spanish army from 1920 to 1925. Barea has the talents of a first-rate historian as well as those of a gifted creative writer. He has produced a shattering indictment of colonialism and a profound analysis of the political dynamic of imperialism.

*The Track* begins with a memorable scene -- the shelling of a small village in the Rif. This scene is devastating and devoid of any illusions, setting the tone for all that follows. The village target is primitive, squalid, and viciously patriarchal. Children, chickens and sheep mill around thatch huts, male warriors ride off into the hills, women pull rough ploughs in harness with donkeys. Counterposed to this is the squalor, brutality and decadence of the Spanish army. Sweaty, lice-ridden soldiers lie down beside their stinking horses; corrupt and self-satisfied officers drink a toast to the death of their own men. The conclusion of the scene suggests the flavor of Barea's caustic style and memorable images:

> The General offered each officer a glass of wine. They went away dreaming of the decorations which the list of dead would bring them. During the night the General snored the snores of an old drunkard who sleeps with his mouth open and his teeth swimming in a glass of water.

Shortly after this incident, the narrator is assigned to an engineer company which is building a road ("the track"). He discovers that the officers are in league with the building contractor who cheats on the road specifications and shares the proceeds. Other officers steal from the soldiers' mess allowance or from the regimental accounts. The greed and petty individualism of Spanish bourgeois culture assumes a hypertrophied form in the military colonial setting. The entire army, we learn, is putrid with corruption and virtually immobilized by the squabbles of its jealous general staff. Gaining little honor or success in the battlefield, the officers devote themselves to drinking, whoring, gambling, thieving and plotting in the coastal garrison towns.

Barea explores the larger meaning of this contemptible army. Through conversations, letters and newspaper reports we learn of the tottering Spanish monarchy and its desperate efforts to achieve imperial grandeur. We also learn how the interminable, expensive and unsuccessful war effort has shattered the fragile equilibrium of Spanish politics, infuriating the liberal opposition, embittering the masses, pushing the officer corps steadily towards political intervention. We see the colonial garrisons and battlefields as a school for fascism; the officers juntas grow with each new military catastrophe and their leadership slowly passes from the indolent aristocrats to the valorous fanatics: Vilan Astray and Franco of the Foreign Legion.

Barea takes care to underscore the material basis of Spanish imperialism. Its principal exponent is the wealthy Count Romanones – aristocratic, war profiteer and grey eminence of Spanish imperial policy. Romanones is the owner of Rif mining concessions, a factory supplying aircraft to the army, and a bread factory rich with state contracts. But just as the Spanish generals cannot fight, so this Spanish bourgeois cannot really produce. His aircraft factory is only a cover for English imports, his mining concessions depend on German backing, even his bread business relies on protection in high places. The brutality, decadence and incompetent rapacity of the Spanish army appear as the logical counterpart to the greedy and callous maneuvers of Romanones and his class.

By contrast, Barea gives us images of the victims – sympathetic but thoroughly real. We see Moroccan workers in Spanish army road gangs who save their pay to buy a rifle and disappear into the mountains to fight their former employers. We also see filthy and diseased tribesmen who desperately beg for the curing power of European medicine and spiteful but servile prostitutes who sell military secrets as well as their own bodies. More fully drawn are the Spanish victims, particularly the young peasant draftees. Their officers bully and insult them and then send them out to a senseless death. But the lessons of the situation are not lost. A soldier asks:

> Why have we to fight against the Moors? Why must we "civilize" them if they do not wish to be civilized? Civilize them – we? We from Castille, from Andalusia, from the mountains of Gerona, who cannot read or write? Nonsense. Who is going to civilize us? Our village has no school, its houses are of clay, we sleep in our clothes on a pallet in the stable beside the mules to keep warm... We crack with hunger and misery.

Some of these raw recruits are nevertheless mesmerized by the fanatical fascist officers and pledge themselves as "bridegrooms of death" in the fight against the Moors. But many others rebel. They refuse to march, break ranks and shoot their officers in the back. From poor and isolated Spanish villages, the soldiers are drawn into a struggle which will engulf all of Spain. Colonial conquest and Moroccan resistance ignite the long and bloody civil war in the metropolis itself. Barea's grasp of this imperialist dialectic and his skillful unfolding of its many features is the major success of his brilliant historical portrait. As the Portugese revolution reminds us, the same process continues in our own time.

French colonialism in Morocco did not result in the same dramatic consequences in the metropolis. But it was no less a brutal and bloody military affair. French armies

fought for over twenty-five years to subdue the fierce Moroccan resistance. At the height of the military operations (the Rif War with the Spanish against the insurgent leader Abd el-Krim), nearly three quarters of a million French soldiers were thrown into battle. Even after the "pacification" was complete, the majority of French Moroccan territory remained under military rule.

This central reality of colonial violence is systematically obscured by Robin Bidwell in his recent book on French administration in rural Morocco. Bidwell's *Morocco Under Colonial Rule* is an unfortunate example of the dominant tendency in academic writing of colonial history: prolix, confusing and thoroughly reactionary. We need to consider it, however, for it is certain to be influential. Bidwell is a prominent specialist, bearing the foremost credentials of the British academic establishment. He wrote the book as a doctoral dissertation at Cambridge University and has since assumed a top post as Secretary of Cambridge's Middle East Centre. His research has already been hailed as one of the principal English language studies of colonialism in Morocco. But while there is much to learn from Bidwell's rich documentation, his interpretation is a grotesque echo of colonial propaganda. He staunchly defends colonial rule and remains confused as to why it failed.

Bidwell establishes his imperialist perspective at the outset. He says his study was "inspired by that bible of progressive imperialism, Lugard's *Dual Mandate in British Tropical Africa*." While he pays homage to his British predecessor, he mainly borrows from French colonial scholars. With little originality and almost no new research, he depends on the word of the "old Moroccans" – the French scholar-administrators who dominated the colonial Native Affairs Bureau and who produced many monographs and vast official archives.

Like his French sources, Bidwell conceives of colonialism as a question of benign administration: how could policies best be devised to "serve" the native population. He ignores the dominant influence of colonial capital and its rapacious primitive accumulation. We must read between the innocuous lines to discover the wholesale seizure of lands, bloody pacification and repression, labor corveess and systematic creation of a native proletariat.

Since Bidwell refuses to face the social meaning of colonialism, he repeats the most outrageous French colonial apologias. "On the whole... the French rule of the tribal areas was a piece of good administration," he asserts in the introduction. When he describes the colonial education system, he cannot ignore the crude "divide and rule" policies or the absence of education for the great majority of rural youth. Nevertheless, he insists on keeping a rosy view, stressing the sincerity of the colonial administrators and their efforts to "protect" native culture. General Lyautey's system "may not have achieved his aims," he concedes, "but he [Lyautey] deserves immense credit for the attempt."

The narrow, bureaucratic perspective of the Native Affairs establishment is especially evident when Bidwell discusses the breakdown of the colonial system. The "old Moroccan" explanations cannot grasp the dynamic of colonial capitalism and the developing dialectic of Moroccan resistance. Bidwell lamely blames political interference from Paris and unfettered greed by petty bourgeois settlers for the decay of colonial rule. He looks back wistfully to idealized trouble-free days under the leadership of Gen. Lyautey. He tells us that as time went on:

> Tribesmen went down into the cities where they saw a new side of the French: in their mountains they knew only the officers of the [Native Affairs Bureau], an elite devoted to their interests, while in the city they were tricked and swindled by grasping colons.

Though Bidwell does not care to consider it, rural Moroccans became aware of the equivalent trickery and swindling practiced by the Native Affairs personnel. They chafed under the spying, corruption, manipulation and repression which were an integral part of administrative practice. Bidwell's notion of the Native Affairs officers as an elite devoted to Moroccan's interest is thus crude hypocrisy and gross historical error. Naturally these bureaucrats rationalized their actions in terms of "devotion" and similar good intentions. So did the settlers, for that matter. Such ideology, however enshrined in offical archives, should not be confused with objective reality.

Bidwell makes these errors because he stubbornly ignores Moroccan sources. If we read him simply as a mirror of official policy, he is able to provide us with much useful information, including extensive citations from colonial policy directives, descriptions of administrative arrangements and a view of the inner conflicts of the administrative system. But if we seek a full picture of the colonial process, he thoroughly disappoints us. He presents the colonized as mere objects of French administration rather than active participants in a varied and stormy historical struggle.

Even the best parts of the book suffer greatly from this objectification of Moroccans. We learn some fascinating details about the growth of the Moroccan working class, for instance. Bidwell shows us its development in the burgeoning colonial cities as well as the wider world labor market – from the settler farms of Algeria to the factories of metropolitan France. But he lamely supposes that these workers were "happy" and that they "chose" their new status. He cannot grasp their growing consciousness, militancy and engagement in the anti-colonial struggle.

So, too, we learn of the military recruitment. Bidwell tells of the thousands of Moroccans who were pressed into the ranks of the French imperial armies: 40,000 in World War I; over 50,000 in World War II; 80,000 in Korea and Indochina during the early 1950s. Over 100,000 Moroccans were demobilized French soldiers towards the end of the colonial period he informs us. But the significance of this fact escapes him. Disciplined, conscious, familiar with the use of arms, many of these former soldiers joined the front ranks of the armed struggle against French imperial rule.

While Bidwell fails completely to provide us with the Moroccan side of the colonial system, Barea is not entirely satisfactory on that score either. His autobiographical perspective was naturally limited to the vision of a Spanish soldier and his historical purpose led on to the revolutionary battlefields of Spain, not to the Moroccan liberation movement. In fact, a complete account of colonialism in Morocco remains to be written. Until that task is undertaken, we will continue to be inspired by Barea and infuriated by Bidwell. Moroccan intellectuals must surely soon respond to this important historical project.

*– Jim Paul*

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